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POLAND
and
her economic development

Dr. Roman Górecki

PRESIDENT
OF THE NATIONAL ECONOMIC BANK, WARSAW

POLAND
and
her economic development

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I.—DR. IGNACY MOŚCICKI, PRESIDENT OF THE POLISH REPUBLIC

PROFESSOR DR. IGNACY MOŚCICKI

PRESIDENT OF THE POLISH REPUBLIC

IGNACY MoŚCICKI, the President of the Polish Republic, was born in Mierzanowice, former Russian Poland, on December 1, 1867. After passing through a secondary school in Warsaw, he matriculated at the Technical High School in Riga. For political reasons he was obliged in 1891 to leave Russia and he went to London to continue his studies, at the same time participating in the political activities of the Polish émigrés who sought refuge in the English metropolis.

In 1897 the young scientist left London for Switzerland and settled in Fribourg, where he continued with great success his researches in electrochemistry and electrophysics, during which he made numerous valuable discoveries. His fifteen years' work at the University of Fribourg gained him world-wide fame. In 1912 he was appointed Professor in physical chemistry and electrochemistry at the Polish University of Lwów, where he devoted all his energies to the task of building up a chemical industry in Poland. After the World War he was entrusted with the management of the

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State Nitrate Factory in Chorzów, which owes to him its development and expansion.

In 1926 Professor Mościcki was elected President of the Polish Republic. After his term expired in 1933, he was re-elected to his exalted office. In his high position President Mościcki is devoting all his leisure hours to scientific work, and as before gives much of his time to the problems of the chemical industry in Poland.



II.—JOSEPH PILSUDSKI, MARSHAL OF POLAND

MARSHAL JOSEPH PILSUDSKI

THE first Chief of State of restored Poland and the creator of the Polish Army was born in Zulow in the county of Wilno on December 5, 1867. From his earliest youth he devoted himself unflinchingly to the struggle for Poland's independence, for which in 1888 he incurred a sentence of five years' exile in Siberia. After his return to Poland Joseph Pilsudski joined the Polish Socialist Party and in 1905 organized an active campaign against the Russian oppressors of Poland. He was forced to leave Russia, and found refuge in Austrian Poland, where he continued with all his inexhaustible power the work of organizing the impending struggle for the liberation of Poland. As in this part of Poland Austria followed a more liberal policy than the other occupying Powers in the remaining Polish territories, many of Pilsudski's followers in the struggles for independence also found refuge in Austrian Poland and were able to continue their political work. The endeavours of all these workers for freedom were directed in the first instance towards the formation of a force organized and trained on military lines, and this led to the

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formation of the so-called “Riflemen unions,” which subsequently were to form the basis of Poland’s armed power. On the outbreak of the World War these organizations were transformed into the Polish Legions at the head of which Pilsudski set out on August 6, 1914, on the war of liberation against Russia.

After the defeat and collapse of Russia, in whom Pilsudski saw the principal enemy of Poland’s independence, in his efforts at the liberation of all Polish territories he turned against the Central Powers. This led on July 20, 1917, to his arrest and imprisonment in the fortress of Magdeburg.

On his release in November 1918 Joseph Pilsudski returned to Warsaw and took over supreme power in the newly proclaimed Polish Republic. He appointed the Government, called together the Parliament, and took the field against the Bolshevik armies which began to invade the frontiers of the new State, and brought the war to a victorious conclusion.

In 1923 Marshal Pilsudski withdrew from political activities, but three years later he again devoted his forces to the service of his nation. Since 1926 until his death on May 12, 1935, he worked untiringly on the great task of internal

regeneration and strengthening of the country's state organization, of building up the nation's armed forces, and of consolidating Poland's position as a Great Power in the world.

The great loss which the Polish people suffered on that day stirred in an unprecedented degree the minds and hearts of the whole nation, but at the same time led to the close union of all forces and endeavours for the purpose of bringing to realization the lofty testament of the Great Marshal.

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INTRODUCTION

WHEN, four years ago, I published a small book containing an outline of the economic development of modern Poland, I concluded my work with the following observations:

“The economic achievements which have been outlined in the preceding pages prove Poland’s great possibilities of development and powers of resistance during periods of such crises as that through which we are now passing. They also contain the best augury for the future of the country.”

“The economic development of a country is not only an incessant task for the governing class, it is that of the entire people who undertook with energy and enthusiasm the great work of fulfilling the prophecy of Marshal Joseph Pilsudski: ‘We are entering an epoch characterized by a rivalry of work and labour which will prevail upon the rivalry of arms and blood as known in the epoch which is now coming to an end.’”

“The work so far accomplished testifies to the fact that the Polish nation has taken to her heart the words of the Marshal, who himself personified her struggles for independence, and remained a symbol of the restoration of the Polish Republic.”

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These remarks referred to the outline I drew of the years 1924–30 on the basis of which I made an analysis of the various aspects of Polish economic life.

Scarcely four years have since passed (1931–34); and I hope I shall not be accused of exaggeration if I say that each of these four years has equalled ten normal years so far as the importance of intervening events is concerned. It seemed to me, therefore, worth while to describe Polish development during those four years—undoubtedly the most difficult of the post-war period. Thus we shall be able to examine if, and to what extent, our conclusions of four years ago have proved to be correct.

When appraising the state of a given economic organism one must nowadays begin with the question: How far and in what way does it react to the pernicious consequences of the economic crisis through which the world is passing, and what are the results of the struggles waged to overcome this calamity which has beset mankind?

So far as Poland is concerned the answer to this question is clear: The economic structure of Poland is showing no meaner powers of resistance than older and more resourceful structures, and in many branches of economic activity it has registered better results than have other countries. These results are due, on the

one hand, to the great efforts and sacrifices of the whole nation, and, on the other, to the rational economic policy of the Government, which is based on three fundamental principles:

- (1) The maintenance of a stable currency based upon a balanced national budget and favourable trade balance.
- (2) The creation of conditions favourable to the process of internal capitalization.
- (3) The adaptation of all elements of economic life to the new conditions brought about by the crisis.

Experiments of every kind have been avoided, particularly the experiment of artificial "manipulation of business conditions," in the belief that only by means of simple, classic, orthodox methods can positive results be achieved.

If we examine on the accompanying graphs the lines of development during these last four years and observe how in many branches of the economic life they show either a tendency towards stabilization or towards an upward move, we may venture the statement that the worst and the hardest periods are now behind us.

We shall draw from it both an inspiration for the future and the strength for further labours.

DR. ROMAN GÓRECKI

WARSAW

June 30, 1935

POLAND AND HER ECONOMIC DEVELOPMENT

CHAPTER I

GENERAL CONDITIONS OF ECONOMIC DEVELOPMENT

THE restored Republic of Poland, facing in 1918 the task of reconstructing her national economy, was confronted by a considerably more difficult task than that of rebuilding the war-devastated areas which confronted other European States. Poland had to deal not only with the devastations of war, greater than anywhere else when it is considered that the whole territory of the Polish Republic was covered by military operations for two more years than anywhere else, but also with the evil social consequences of her subjection for over a hundred and fifty years.

The partitions of Poland were painfully reflected in the economic development of the country. The fact that the nation was deprived of political and economic independence for a hundred and fifty years was bound to react all the more forcibly on the economic position of Polish territories, because the influence of the

nineteenth century had a more profound effect on the economic conditions of the whole world than any other epoch in history. The last century saw the period of the greatest development of capitalist economy and industrialism in many States, of the rise of great cities, of the improvement in communications through the introduction of railways, of rising national prosperities, and of the growing political power of capitalist States.

During the whole of that period Poland was partitioned between three predatory Powers of totally different economic structures and policies—Powers which attempted to prevent the economic development of the country and to pauperize the Polish people in order to paralyse its power of resistance and to make it incapable of further struggles for independence. Under such conditions there could be no question of emulating other nations in the economic development of Europe, particularly in the industrialization of the country, in the development of the trade of the nation, and in the creation of a national banking and credit machinery.

The unification of Polish territories and the restoration of an independent Polish State has been accomplished during a period of unprecedented impoverishment and of a complete exhaustion of the whole economic organism, due in large measure to the fact that

the last war was fought for many years over the greater part of the territory of the Polish Republic. What had been spared by direct military operations was finally ruined by the deliberate acts of the occupying Powers. The statistics of war show a total loss by fire of over 1,800,000 buildings in cities, towns, and villages, valued at over 1,500,000 gold francs. Just before the evacuation of Poland by the occupying Powers, nearly 11 million acres of agricultural land were put out of use. The losses in live-stock amounted to 2 million head of cattle, 1 million horses, and 1,500,000 sheep and goats. Within the area of war operations were included about 15 million acres of forests, of which nearly 6 million acres were totally destroyed and devastated by alien armies, who removed 4,661 million cubic feet of timber from the country. The industries of the former Congress Kingdom were in total collapse. The textile industry centred round Lódź and Bialystok suffered most, because, apart from the destruction of factory buildings, it was denuded of machinery and plant, raw materials and stocks of manufactured goods. The foundry and mining industries as well as the metallurgical industry were completely immobilized; and great losses were suffered by the oil industry in South-Eastern Poland. In industry particularly the destruction was

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caused not only by direct military operations but by a deliberate devastation put into practice by the occupying Powers, by their requisitions, expropriations, high forced contributions, and the loss of large sums due to Polish exporters for pre-war supplies to Russia.

By way of example, it may be mentioned that there were removed from Poland 4,259 electrical motors and engines, 3,844 tooling machines, and 98,000 tons of factory equipment. The total losses of industry have been estimated at 10,000 million gold francs. The railway rolling-stock of former Russian Poland was completely removed during the evacuation of Poland by the Russian armies. One-half of the bridges, station buildings, and railway workshops were totally destroyed.

From the occupying Powers Poland inherited a completely disorganized monetary system. At the time of the proclamation of Poland's independence there were in circulation within Polish frontiers many different currencies, such as Austrian crowns, Russian rubles, German marks, Ost-rubles and Ost-marks. Workshops were in ruins throughout the larger part of the country; the people were physically exhausted and without any means of subsistence; and it was this situation which confronted the Polish State at the outset of its independent career. But even after the end of the World War

the Polish people were still unable to "forge their swords into ploughshares": for two more years the struggles for securing the Eastern frontiers of the country went on; and even after the victorious war against Bolshevik Russia the country was still afflicted by the economic disaster of monetary inflation, which lasted for another three years, continued to undermine the normal development of national economy, and still further depleted the capital resources of the country which after the close of war were being steadily accumulated.

It is only against a background of those conditions in which the economic reconstruction of the new Poland has been begun that it is possible fully to appreciate the magnitude of the work performed in the economic field, and of the efforts by which the Polish nation has, during the first fifteen years after the recovery of her independence, been able both to make good the neglect of the alien Powers who dominated her for so long and to restore the country after the tremendous destruction of war, but has also been able, during this short space of time, to build up the foundations of the future economic development of the country so successfully that to-day Poland is emerging victoriously from the economic crisis with considerably smaller losses than many other, much richer countries.

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Within the limits of this little book it is impossible to describe fully and in detail the present position of Poland's national economy in all its fields. The writer must necessarily confine himself to a description of certain fundamental lines of development, detailing certain factors which manifest such natural powers of development and explain the progress made in the field of economic activity.

The possibilities of development and the importance of each individual country within a world economy is determined by the natural conditions existing in a given territory. These natural conditions include the geographical situation and the area of the country, its endowment with natural and capital resources, the density of its population, the rate of its natural increase, and the human characteristics of that population.

AREA, POPULATION, AND NATURAL RESOURCES OF POLAND

The geographical position of Poland on the European continent is indicated on the map on page 26, which shows the post-war political frontiers of the European States. In extent of territory Poland ranks fifth among those States, following Russia, France, Spain, Germany and Sweden. The superficial area of

Poland amounts to nearly 150,000 square miles, being almost ten times larger than Switzerland and Denmark and almost four times as large as Czechoslovakia. By virtue also of her central position in the very heart of Europe Poland has always represented one of the most important transit territories both between the East and West as well as between the North and South. The national frontiers of Poland run to a length of 3,437 miles. The longest common frontier (about 35 per cent of the total) Poland shares with Germany, while the frontier with Russia amounts to about one-fourth of that total, with shorter frontiers between Czechoslovakia, Rumania, Latvia, and Lithuania. The maritime frontier on the Baltic amounts to only 80 miles, or 2·5 per cent of the total length of frontiers. For administrative purposes Poland is divided into seventeen counties of which the Capital City of Warsaw forms a separate county.

The territory of Poland is inhabited at present by 33·5 million people, thus ranking in this respect sixth among European States, following Russia, Germany, England, France, and Italy. The density of population in Poland amounts to *222 inhabitants per square mile*, or more than in such countries as Denmark, Austria, France. Thus it is that Poland occupies the ninth place among the countries of Europe.

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Owing, further, to the fact that the rate of natural increase of population in Poland is the greatest in Europe, this ratio is continuously

THE POSITION OF POLAND IN EUROPE



Poland occupies the sixth place in Europe with regard to her area and population.

	<i>Area (in thousand square miles)</i>		<i>Population (in millions)</i>	
Soviet Russia	..	8,166·0	Soviet Russia	..
France	..	212·6	Germany	..
Spain	..	194·8	Great Britain	..
Germany	..	182·2	France	..
Sweden	..	173·0	Italy	..
POLAND	..	151·0	POLAND	..
				165·7
				66·0
				46·3
				42·0
				41·7
				33·4

shifting in favour of Poland. During 1930–34 the average annual increase of population amounted to as much as 451,000, or 14·0 per thousand. Other European States have a much lower natural increase than Poland. Thus, for instance, in 1933 the birth-rate of Italy amounted to 10·1, Czechoslovakia 5·5, Switzerland 5·0, Germany 3·5, England and Wales 2·1, and France 0·5 per thousand. The great increase of population assures to Poland a necessary amount of labour for the future, and certainly represents one of the most dynamic forces in her political and economic development.

The population of Poland is mainly agricultural. Sixty-four per cent of her people make their living by farming, while mining and industry employ 15·4 per cent, commerce, transport, and insurance 9·5 per cent, and the remaining 11·3 per cent are engaged in other occupations. Such an occupational division of the population shows that Poland is both an agricultural and industrial country, with the agricultural element considerably predominating. The urban population in Poland amounts to 27 per cent of the total. There are twelve cities with over 100,000 inhabitants, of which the Capital City of Warsaw numbers 1,220,000 citizens.

Agriculture employs almost 68 per cent of the total area of the country, of which 49 per

cent, or 45,854,000 acres, is represented by arable land, 17 per cent by meadows and pasture, while 1·5 per cent is used for other agricultural purposes. With regard to the employment of arable land Poland occupies the third place in Europe, following Denmark and Hungary. The total area under forests amounts to over 19·8 million acres, or 22 per cent of the surface. The annual growth of timber is estimated at 760 million cubic feet, which allows Poland not only to cover her own requirements in this respect but makes her one of the greatest timber-exporting countries in the world.

Rich mineral deposits form the basis of many branches of industrial production. These deposits are grouped mainly in the south and the south-west of the country. The biggest mining industry in Poland is that of coal, which is extracted principally in Silesia and also in the Dabrowa-Krakow coalfields. The quantity of coal in Poland is estimated at 62,000 million tons, or more than twice the coal deposits of France or Czechoslovakia, which are estimated in each of these countries at about 24,000 million tons. Of the European countries only Great Britain and Germany have larger coal deposits. The deposits of another important fuel, that of mineral oil, are estimated at 160 million tons, while the petroleum industry is one of the oldest industries

in the world. Deposits of rock salt and salt loams amount to about 6,000 million tons and are among the greatest in Europe. Poland is one of the few countries in the world which contains within her borders large deposits of potash salts, which are estimated at 450 million tons and are large enough to cover the requirements of Polish agriculture for many years to come.

Iron has for many centuries played an important part in the economic development of all countries. The development of a metallurgical industry depends upon the possession of two basic requisites: fuel and ore. The growth of Poland's iron industries is based upon the possession of immense reserves of coal and of considerable reserves of ores, conveniently concentrated in the vicinity of coal-mines in the south-western part of the country. The deposits of iron ores in Poland are estimated at 165 million tons, and the deposits of zinc and lead ores at 33 million tons. Similarly, with regard to other raw materials, Poland is well equipped, having large deposits of lime and other mineral raw materials for brick, cement, glass, and majolica industries.

One additional factor of considerable importance for industrial progress must be mentioned, namely, water power. In this respect nature has abundantly endowed Poland, particularly

the south-western part of the country. The total hydraulic power of Polish rivers is estimated at 3·7 million h.p., although up till now only a fraction of this power has been harnessed.

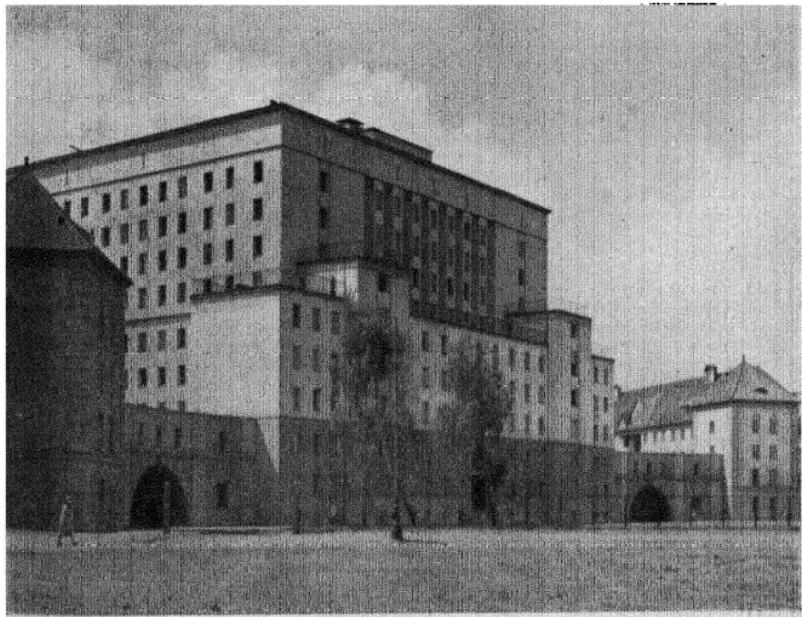
The preceding succinct review of the natural conditions of development shows clearly that, thanks to the existence of favourable demographic conditions as well as to advantageous conditions for the development of all branches of agricultural production, considerable timber reserves and mineral wealth, Poland may be regarded as a country of no mean natural resources among the countries of Europe.

Estimates made for the year 1926-27 indicate that the national wealth of Poland amounted in that period to about 137,000 million zloty, of which 47 per cent or 67,000 million zloty is represented by agriculture (land, forest, live stock, and farm buildings), while 30 per cent or 43,000 million zloty by industry. In comparison with other countries, Poland's national wealth is greater than that of Czechoslovakia, Rumania, Switzerland, Yugoslavia, and Hungary, but lower than that of Great Britain, France, Germany, Russia, and Italy.

It must be pointed out that the calculations of national wealth carried out in 1926-27 were made at the then prevailing prices, which were higher than those to-day. On the other



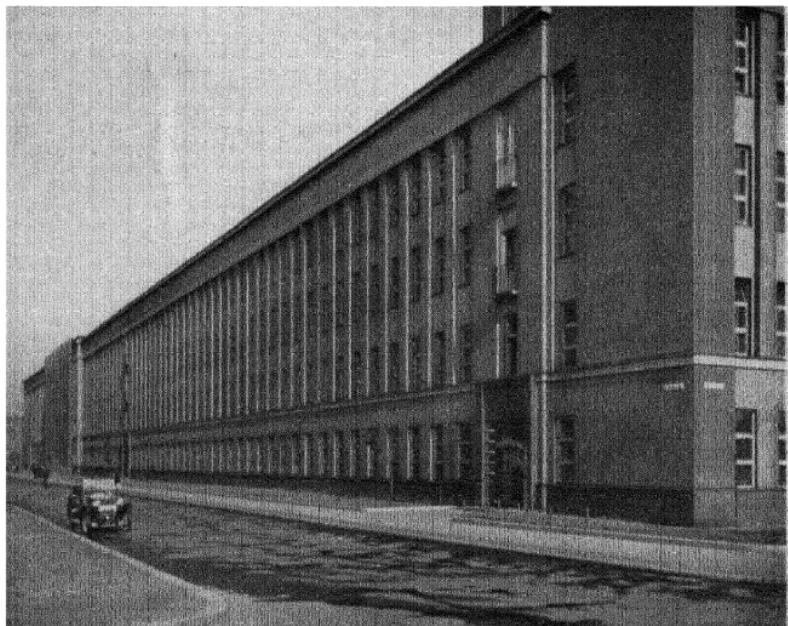
III.—WARSAW: NAPOLEON'S SQUARE



IV.—WARSAW: UNIVERSITY STUDENTS' HOSTEL



V.—KATOWICE: OFFICES OF THE SILESIAN COUNTY COUNCIL



VI.—KATOWICE: TRADE SCHOOLS' BUILDING

hand, it must be remembered that during the immediately following economically favourable period (particularly during 1928), huge investments were made in Poland and, at the same time, the value of all other factors of national wealth showed an increase. It follows that the decline in the value of that wealth when calculated at present very low prices is considerably smaller than is shown in the calculations quoted above.

The national income of Poland during 1929 (the last year of favourable business conditions) was estimated at about 26,000 million zloty. Because of the predominantly agricultural character of the country, the decline of the national income during the years of crisis was very marked. According to approximate estimates the total national income during the year 1933 amounted in round figures to about 14,000 million zloty. If, however, we take into consideration the real value of this income and proceed to calculate it at the 1929 prices, the decline will be considerably smaller because the national income calculated at these prices amounted in 1933 to about 22,000 million zloty.

The natural resources of Poland have up till now never been properly exploited, because Poland is among those countries which have a relatively low standard of living and of

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consumption, particularly in regard to industrial products. On the other hand, these factors enhance the possibilities of development, for if Poland is to raise the level of consumption by her population to that of Western European countries, she has far to go before the saturation-point of elementary needs is reached. Owing to the great increase of her population, Poland finds herself in this respect in a more advantageous position than many other countries.

Moreover, Poland is a country of immense and unsatisfied investment needs. By way of illustration there may be mentioned the urgent need for housing, the great possibilities of intensification of agricultural production, the public utility investment needs of the municipalities, the imperative necessity of constructing roads and other means of communication, and other investments of this kind. In short, an immense field of economic activity lies open for the better employment of abundant labour and natural resources.

CHAPTER II

THE ECONOMIC DEVELOPMENT OF POLAND AFTER THE RESTORA- TION OF INDEPENDENCE

NATIONAL FINANCE

I. THE BUDGET

THE normal development of Poland's financial economy only began in 1924, after the introduction of a stable currency. In the immediately preceding period of post-war inflation the new Polish Administration had only succeeded in unifying the four separate financial systems inherited from the Powers which formerly ruled the country. On account of the immense expenditure required for the rebuilding of the war-devastated areas, the annual Budgets showed huge deficits, which had to be covered by means of note-printing. The financial reforms carried through during 1924 assured in principle a balance between Revenue and Expenditure, but the economic crisis which set in after the stabilization of the currency created new difficulties, and by upsetting the budgetary balance the years 1924 and 1925 closed with considerable deficits which were

only met by the issue of token coins and Treasury notes.

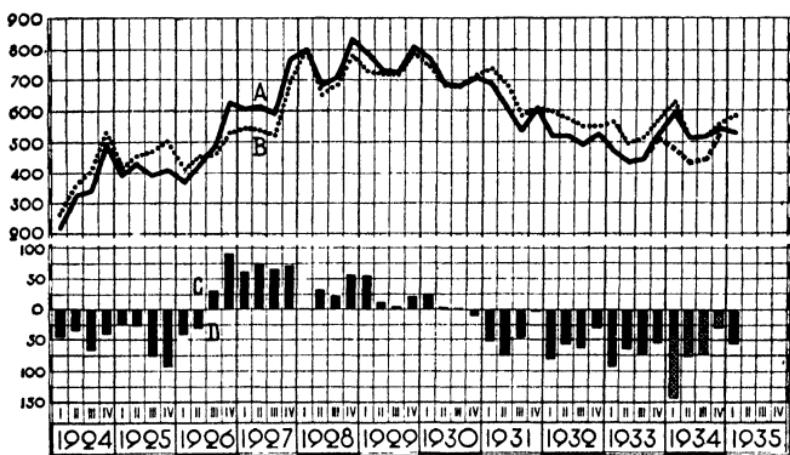
The first surplus of revenue over expenditure was achieved in 1926, thanks to increased yields from taxes and other duties, and the increasing prosperity of State undertakings and monopolies. During the same year important reforms in the administration of finance were introduced. A new system of budgeting was decided upon and the financial year started from April 1st, instead of from January 1st as hitherto. The following two financial years (1927-28 and 1928-29) brought important surpluses of revenue, thanks to the fact that actual revenue was considerably higher than was provided for in the estimates.

Towards the end of 1929 the world crisis reached Poland. As the crisis hit agricultural production first, reaching its greatest intensity in this industry, Poland, as a predominantly agricultural country, found herself among the countries most exposed to those devastating effects which in various degrees affected all other world countries. Nevertheless, the year 1929-30 closed with a surplus of revenue amounting to several tens of millions of zloty. The acuteness of the economic depression which, however, set in during the following year caused a considerable decline of revenue. The year 1930-31, for example, closed with a deficit

amounting to 63 million zloty, though this could still be easily covered from the reserves of the Treasury accumulated during preceding years. Moreover, during the year in question

THE NATIONAL BUDGET

(*In Million Zloty*)



- A. Revenue (the broken line in the IV quarter of 1933 and in 1934 indicates budgetary revenue exclusive of the proceeds of the National loan)
- B. Expenditure
- C. Surplus of Revenue
- D. Deficits (the cross-line sections indicate Budget deficits covered from the proceeds of the National loan)

considerable sums of money were expended in the form of subsidies granted to various threatened enterprises and of grants for the maintenance of the growing numbers of unemployed. At the same time it may be mentioned that the decline in revenue was accentuated by various tax reliefs which the Government

accorded to private enterprises when their difficult position was fully appreciated.

As soon as it became apparent that the economic crisis was of exceptional severity and had assumed a lasting character, the Polish Government came to the conclusion that in the existing circumstances the surest, though the least popular, means of overcoming such a crisis was the introduction of far-reaching but reasonable economies in the national husbandry in order to safeguard the country from acute convulsions.

Not all countries adopted this difficult and unpopular path from the outset, and indeed many of them at first had recourse to public credits in order to prop up the failing revenues of their Treasuries. In view of the prolongation of the crisis, even these countries were obliged in the end to discontinue incurring further indebtedness and to reduce their budgetary expenditures. For even in economically strong countries the growing indebtedness of the Treasury threatened with grave difficulties not only the economic life of the countries in question but began to affect adversely the money and capital market.

As from 1931 the financial policy of the Polish Treasury is characterized by economies and reductions of expenditure affecting in the first place investments and supply services

and afterwards civil service salaries. How cautiously this policy was applied may be seen from the fact that in spite of a considerable contraction of expenditure during the financial years 1931–32 and 1932–33, the budgetary deficits were not sufficiently reduced; and the decline in revenue proceeded at a quicker rate than the reductions of expenditure, hampered as such attempted reductions were by the necessity of assisting private undertakings, principally farmers, by means of taxation reliefs or emergency credits granted for the purpose of propping up the disastrously falling price of grain. Budget deficits during those two years were covered partly from Treasury reserves and partly from profits made on the issue of token coins.

It was only in 1933 that the situation was eased. The decline of revenue from taxation diminished, and during the second half-year certain revenues began to show slight upward tendencies. In view of this favourable revenue tendency the Government decided to discontinue the further contraction of expenditure, the more so as a continuation of a policy of drastic cuts might have adversely affected private enterprises. It was therefore decided to cover the deficit by means of credit operations. The following two considerations influenced the Government to have recourse to credits:

- (1) The improvement in the economic situation which *inter alia* showed itself in the absence of a further decline in revenues of the Treasury.
- (2) The increasing liquidity of the Polish capital market.

Thus the Government were able in 1933 to begin the issue of Treasury bills, which by the end of 1934 reached a total of 200 million zloty. In the autumn of 1933 the Government issued a ten years' 6 per cent internal loan, which at the issue price of 96 was more than three times over-subscribed. The Treasury accepted the whole sum subscribed, i.e. 350 million zloty. The proceeds of this loan furnished the means for balancing the Budget during the last few months of 1933 and the whole of 1934. The success of this loan, which was issued as a "National Loan," has been regarded as proof that the Polish people entirely approve the economic policy of the Government and repose full confidence in their methods for overcoming the crisis.

The general trend of Budget Revenue and Expenditure during the years following the stabilization is indicated in the table on page 39.

The Budget figures quoted below show that before the present crisis became acute State expenditure was increasing very considerably, although *pari passu* with the increase of revenue. This growing expenditure was justified by the

great need for investments on the part of the Government rendered necessary by the neglect which Poland had suffered in many spheres at the hands of alien Powers. It also appears from the table below that the Government did

(*In Million Zloty*)

<i>Year</i>	<i>Revenue</i>	<i>Expenditure</i>	<i>Surplus or Deficit</i>
1926-27	2,135·3	1,974·7	+ 160·6
1927-28	2,770·7	2,556·0	+ 214·7
1928-29	3,008·3	2,841·1	+ 167·2
1929-30	3,029·7	2,992·7	+ 37·0
1930-31	2,750·4	2,813·9	- 63·5
1931-32	2,261·3	2,466·6	- 205·3
1932-33	2,001·7	2,243·9	- 242·2
1933-34	1,869·0	2,206·3	- 337·3 (1)
1934-35	2,114·6 (2)	2,175·7	- 61·1

NOTE.—(1) Including the allotment of the National Loan amounting to 120 million zloty. The total revenue amounted to 1,989 million zloty, and the deficit, covered from proceeds from other non-recurring revenues (mainly the issue of Treasury bills), has been reduced to 217 million zloty.

(2) The total revenue includes proceeds from the National Loan, amounting to 175 million zloty.

not consume all its revenues, but built up reserves which enabled it subsequently to overcome the most dangerous periods of crisis. The reduction of expenditure during the financial year, i.e. during the Budget year 1934-35 as compared with the year 1929-30, amounts to no less than 27 per cent.

The revenue of the Polish Treasury is obtained from proceeds of taxes and various

duties, revenue from State monopolies and the profits from State undertakings which have been commercialized by being separated from the general administration. Among those undertakings are State Railways, State Forests, the General Post Office, and the Mint. The State owns also three financial institutions, namely, The National Economic Bank, the State Land Bank, and the Post Office Savings Bank, as also a number of industrial undertakings which are either of basic importance to the economic structure of the country or which are working mainly for purposes of defence of the country. The following industries are organized into State monopolies: Tobacco, Alcohol, Salt, Matches, and Lotteries. The Match Monopoly has been let on lease to a private company which continues to operate it.

2. NATIONAL DEBTS

The public finances of almost every country are usually burdened considerably with the service of national debt. The indebtedness of the Polish Republic, however, is very small when compared with that of other countries. On January 1, 1935, the total of Polish national indebtedness amounted to 4,691 million zloty, or about 140 zloty per head of population. Considering that the national wealth of Poland amounts to 137,000 million zloty, the total

indebtedness of the Polish Treasury amounts to less than $3\frac{1}{2}$ per cent of the national wealth.

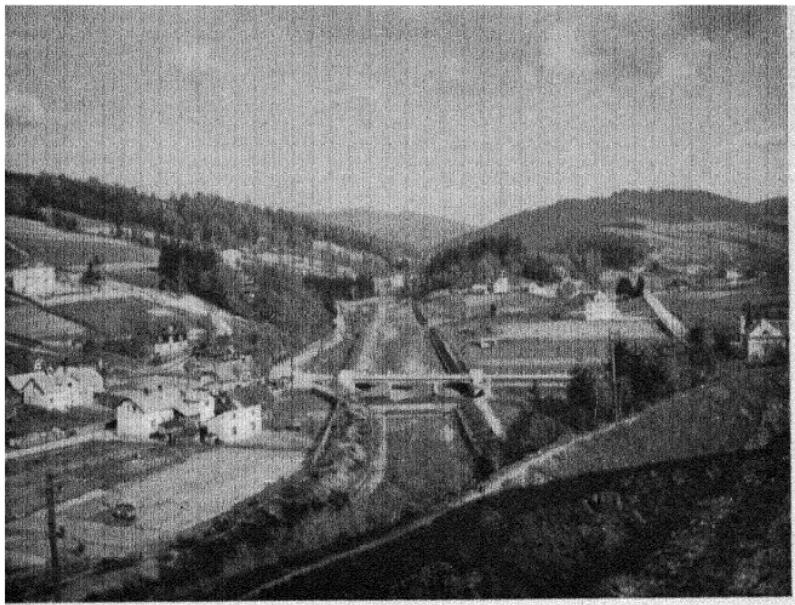
It follows that the expenditure required for the service of debts does not represent a very big item in the State Budget. It amounted in 1930-31 to 267 million zloty, in 1931-32 to 243 million zloty, in 1932-33 to 188 million zloty, and in 1933-34 to 175 million zloty. The decline in the total expenditure for the service of the debts during the last few years is explained by the suspension of the payment of war debts since the proclamation of the Hoover moratorium. After the expiry of the moratorium Poland, acting in solidarity with other States, suspended the service of war debts until the question should be definitely settled.

Of the total indebtedness, amounting to 4,691 million zloty, 1,346 is represented by internal debts, while 3,345 represents debts incurred in foreign countries. The internal debts increased during the last year mainly by the amount of the issue of the National Loan of 350 million zloty and also by the increased issue of Treasury bills, the total amount of which reached the sum of 200 million zloty by the end of 1934. On the other hand, the total amount of foreign debts has declined, partly owing to payments of redemption instalments, but mainly owing to the fall of the

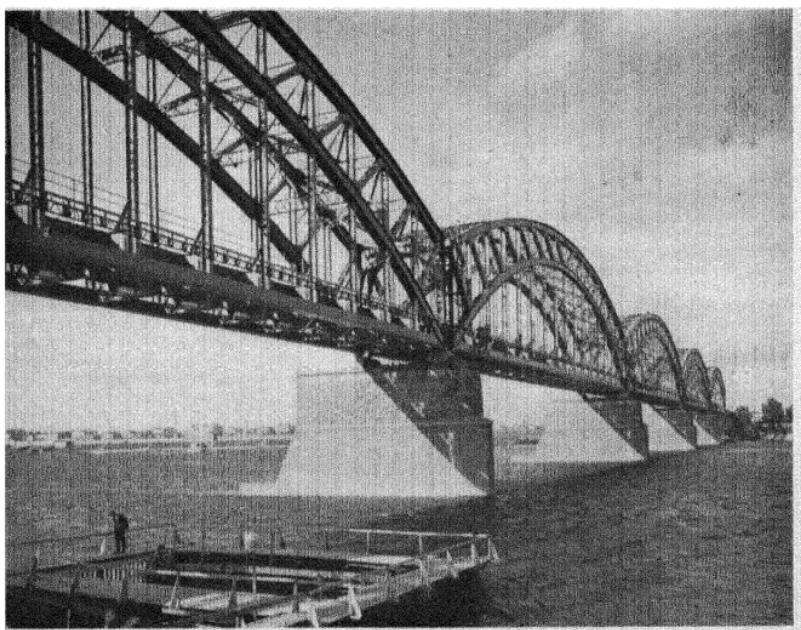
foreign currencies such as the dollar and sterling in which the loans were contracted. The major part of the foreign debts consists of credits obtained in kind from the Allied and Associated Governments during the initial period when the young Polish State was fighting in defence of its regained independence. All Poland's obligations towards foreign countries, with the aforementioned exceptions, are being met punctually without any restrictions that might operate to the disadvantage of her creditors.

Such foreign debts as Poland contracted were carefully planned beforehand, and thanks to this policy, in spite of the crisis, the country was able to meet her obligations without having recourse to any sort of transfer moratoria or currency restrictions. In this way Poland has enhanced her reputation as one of the most reliable debtors.

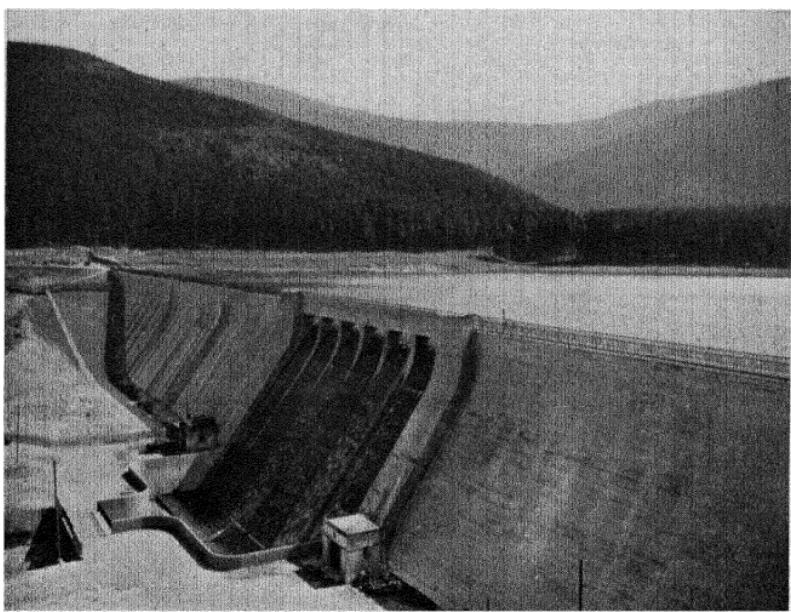
The indebtedness of the Polish local government authorities is of equally moderate dimensions. The total of debts owed by them amounted at the end of March 1934 to 945 million zloty. Foreign loans represent a relatively small part of the total indebtedness of the local government authorities. Such as there are have been contracted for purposes of profit-making investments and consequently their repayment does not impose any special difficulties. During



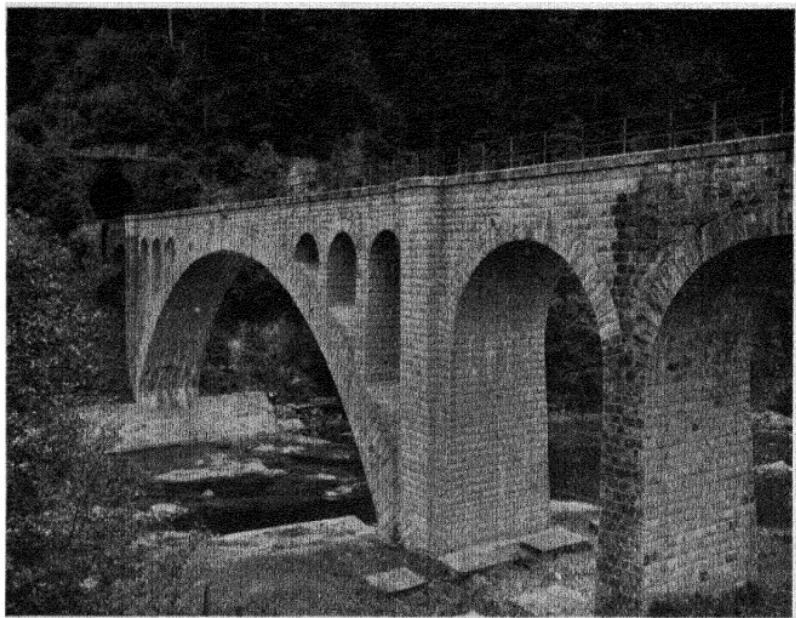
VII.—REGULATION OF THE VISTULA



VIII.—WARSAW: NEW RAILWAY BRIDGE ACROSS THE VISTULA



IX.—LUDWIKA DAM, SILESIA



X.—RAILWAY BRIDGE AT JAMNA

the present crisis certain of the local government authorities found themselves in straitened circumstances and the amelioration of their finances has not yet been completed. Recently the Central Government came to the assistance of the local authorities by decreeing the reduction of the charges on internal debts of the local government bodies and offering them the possibility of converting their short-term obligations. Considering their low indebtedness, the local government authorities will be able, as soon as general conditions improve, to resume again their investing activities, and considering the high returns on such investments it may be confidently assumed that both Polish and foreign capital will take an interest in those activities.

CURRENCY AND THE BANK OF ISSUE

Polish currency—the zloty—was introduced in place of the depreciated Polish mark in 1924, simultaneously with the establishment of the Bank of Poland. The parity of the zloty was fixed on a level with the Swiss franc ($5 \cdot 18$ zloty to 1 dollar). The privilege to issue notes was granted to the Bank of Poland, a private joint-stock company with a capital of 100 million zloty. The minting of gold, silver, and token coins remained the sole right of the Treasury. The deficiency of revenue from which the

Treasury suffered during the post-inflation economic crisis in 1925, rendered even more acute by the failure of the crops, necessitated a considerable increase of imports and consequently an equally considerable efflux of funds from the reserves of the Bank of Poland and led directly to the collapse of the rate of the zloty by the middle of 1925. It was not until the autumn of 1926 that the Bank of Poland succeeded in effecting a *de facto* stabilization of the zloty at the parity-level of 8·91 zloty to 1 dollar. This parity was made legal in October 1927, and this facilitated the contracting of a "Stabilization" Loan abroad, which strengthened the reserves of cover of the Bank of Poland.

From that time onwards the zloty remained a fully stabilized currency based upon a definite parity to gold (1 kg. of gold to 5,924·44 zloty). Furthermore, the statutes of the Bank of Poland stipulate that the Bank is under obligation to exchange notes for gold. For the time being, however, the Bank exchanges notes either into gold in bars or into gold currencies at its discretion (Gold Exchange Standard). Until February 1933 the Bank was obliged to maintain the cover of the notes in circulation and of other sight liabilities either in gold or in foreign currencies exchangeable into gold at at least 40 per cent, while the cover in gold alone had to be no less than 30 per cent. In

actual fact, the cover was always higher than the statutory minimum. When, during the present crisis, many currencies became depreciated, while other currencies were threat-

DOLLAR RATES IN WARSAW AND ZLOTY RATES IN ZURICH



**D. Dollar rates in Warsaw
(zlotys for 1 dollar)**

Z. Zloty rates in Zurich
(Swiss francs for 100 zloty)

ened with further depreciation (before the fall of the U.S. dollar), the Governors of the Bank of Poland decided to eliminate foreign currencies from the note cover. The statute of the Bank of Poland as amended in 1933 stipulates that the cover of notes in circulation and of other sight liabilities (reduced by 100

million zloty, as experience proved that the deposit accounts with the Bank of Poland do not as a rule fall below 100 million zloty) must be covered by gold to the extent of at least 30 per cent. The actual gold cover is considerably higher than the statutory minimum. It amounted at the end of 1933 to 40·8 per cent, rose at the end of 1934 to 44·8 per cent, and in January 1935 rose again to 47·13 per cent.

Besides Bank of Poland notes there circulate in Poland silver and token coins issued by the State Treasury. The circulation of these coins is limited by statute to 426 million zloty, but actually at the end of 1934 it amounted to only 384 million zloty.

At the end of 1927 the share capital of the Bank of Poland was increased to 150 million zloty. The development of the various items in the balance sheet of the Bank of Poland is shown in the following table:

(In Million Zloty)

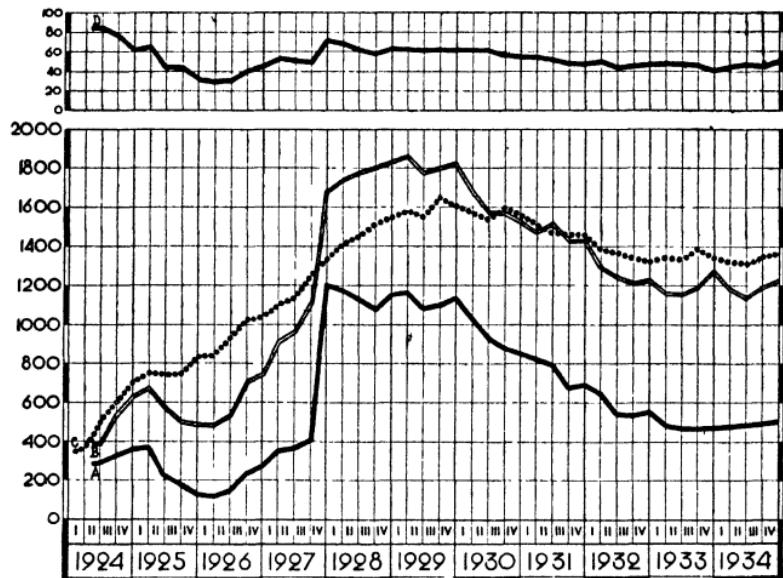
Year Dec. 31	Gold	Foreign Currencies	Bills Dis- counted	Notes in Circulation	Sight Liabilities
1927	517·3	687·5	496·9	1,003·0	659·8
1928	621·1	527·1	731·9	1,295·3	597·3
1929	700·5	418·6	781·1	1,340·4	467·9
1930	562·2	288·4	758·4	1,328·2	210·3
1931	600·4	88·0	796·4	1,218·3	213·2
1932	502·2	48·5	699·7	1,002·8	220·5
1933	475·6	*	816·5	1,004·0	261·9
1934	503·3	*	756·5	981·1	240·5

* As from March 1933 foreign currencies are not included in the note cover.

The above statement shows also the trend of business conditions in Poland and their effects. The period of economic development up to 1929 was marked by an increase of credits granted and notes in circulation. The position underwent a fundamental change in 1930: the decline in the turnover of foreign trade during the depression caused a considerable efflux of currencies for the payment of foreign commercial credits contracted during the preceding period. Besides, during 1931 Austrian and German banking passed through many convulsions, which had unfavourable repercussions on Polish banking, leading to the withdrawal of deposits by foreign banks. The large efflux of foreign currencies obliged the Bank of Poland—particularly during 1932—to restrict both the note circulation and the credits granted in order to maintain the gold and currency cover on the required level. This deflation, though it could not but react unfavourably upon the economic life of the country, nevertheless carried with it the far-reaching effect that the parity of the zloty has been maintained unimpaired without the introduction of any currency restrictions whatsoever. The achievement of this task was not an easy one, as the great majority of other countries, among them countries of the greatest importance in world economy, had either by necessity

or of set purpose to leave the gold standard, thus introducing complete chaos into international currency relations. The Polish Govern-

BANK OF POLAND AND MONETARY CIRCULATION
(*In Million Zloty*)



- A. Gold and foreign currencies included in the gold cover (as from March 1933 only gold is used as gold cover)
- B. Note circulation and sight liabilities
- C. Total monetary circulation
- D. Ratio of cover for note circulation and sight liabilities (per cent)

ment abstained from all currency experiments and persevered in its original attitude, which enabled Poland to remain in the select and small company of States which remained faithful to the gold standard for their currencies.

During the World Economic Conference

held in London in 1933 Poland joined the group of gold bloc countries, thus declaring a determined resolve to persevere in the system of a stable currency and a non-restricted exchange. Since about a year ago the position of the Bank of Poland, as far as the national currency is concerned, has shown a steady improvement, a fact which enables the Bank to increase the liquidity of the money market, while the maintenance of gold parity had a most beneficial effect upon the increase of savings of the Polish people, which, after the inflation experiences through which it passed during the first post-war years, required the confident maintenance of a stable currency.

FINANCIAL INSTITUTIONS

I. THE STATE BANKS

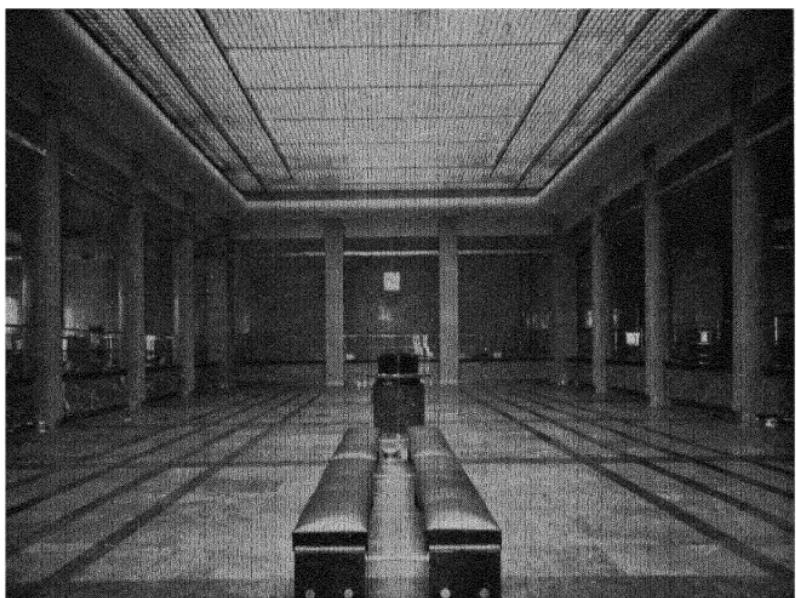
The banking system of Poland is distinguished by the important part which is there played by State financial institutions. These institutions, in addition to the special tasks for which they were created, were obliged to supplement in many fields the inadequate activities of the private joint-stock banks whose capital resources were small and whose development lagged behind the economic development of the country and its growing credit requirements. Before the war the number of Polish banks and

their capital resources in the three separated parts of Poland were altogether inadequate to the needs of the country. Moreover, the Great War entirely interrupted the development of banks, particularly in the former Austrian and Russian provinces, which were directly hit by war operations. After the war, the monetary inflation which lasted for several years deprived the banks almost entirely of liquid working capital, so that by the time the currency reforms were carried through they were unable to play any considerable part on the credit market.

The economic life of the country, which, after the monetary system had been put in order, began to pick up quickly, required all the greater credit facilities, particularly long-term credits, which were almost totally destroyed through the inflation. The Polish people, exhausted by the war, were not able to accumulate quickly enough the necessary surplus of capitalized national income which would adequately cover these requirements. Moreover, internal capitalization, even under pre-war conditions, was falling short of satisfying all needs for investments, which in view of the rapid growth of population were constantly increasing. In view of this state of affairs, private enterprise needed the support of the State, which assumed the initiative in many



XI.—THE HEAD OFFICE OF THE NATIONAL ECONOMIC BANK,
WARSAW



XII.—THE MAIN HALL OF THE NATIONAL ECONOMIC BANK, WARSAW



XIII.—VESTIBULE OF THE CONFERENCE ROOM OF THE NATIONAL
ECONOMIC BANK, WARSAW

spheres of economic activity, particularly in the task of creating the much-needed long-term credit.

In order to achieve this purpose, the State required its own banking machinery, which would carry out the economic policy of the Government in the financial sphere. This task has been allotted to three financial institutions established by the State, namely, the National Economic Bank, the State Land Bank, and the Post Office Savings Bank.

The most important of the State credit institutions is The National Economic Bank (the Bank Gospodarstwa Krajowego) established in 1924 by the amalgamation of three existing State banks (Polski Bank Krajowy, Państwowy Bank Odbudowy, and Zakład Kredytowy Miast Małopolskich), of which one, the Polski Bank Krajowy, had existed since 1883 as a very important institution for the economic development of former Austrian Poland. By the amalgamation of these three institutions, which had similar and mutually complementary aims, a wastage of resources was avoided and the centralization of the financial assistance which the State rendered to the economic life of the country was made possible.

Of the existing State institutions, the National Economic Bank was allotted the widest possible scope of activity. In the first instance the

Bank was called upon to restore long-term credit loans by means of mortgage and other bonds to local government institutions, to larger agricultural estates, for the construction of dwelling-houses, and for industrial undertakings. These long-term loans are secured on municipal, agricultural, and industrial mortgages or on the property and revenue of the local government authorities. On the basis of such securities the Bank issues mortgage bonds or communal bonds which are placed on the home or foreign money markets. Among other principal aims of the Bank may be mentioned the fostering of communal savings banks and credit co-operative societies, as also the support of dwelling-house building activities. In addition, the Bank carries out all other banking transactions, though by statute it is obliged to consider in the first instance the necessities of the State, of State undertakings, local government needs, and local government undertakings.

During its period of activity, extending over ten years, the National Economic Bank has become the greatest banking institution in Poland. The capital of the Bank, fixed at first at 35 million zloty, was increased in both 1927 and 1928, and now amounts to 150 million zloty, while the reserve capital has reached nearly one-half of the capital and amounts to

71 million zloty at the end of 1933. The balance sheet of the Bank at the end of 1934 included a Debt Relief Fund which was established for the purpose of reducing the burden of debt of the agricultural and communal debtors. A part of the special reserve of the Bank has been transferred to this Fund and the total amount of the reserves was thus reduced to 47 million zloty. At the same time it may be pointed out that the statutory reserve of the Bank was increased during the year 1934 by a further 2 million zloty.

In addition to its own funds, the Bank's working capital consists of deposits made by private persons, corporations, and of investments of the State Treasury made for the purpose of granting special credits, mainly in support of building activities. The grand total of deposits and investments amounted at the end of 1934 to 803 million zloty. The total of bonds issued by the Bank during the same period amounted to 807 million zloty.

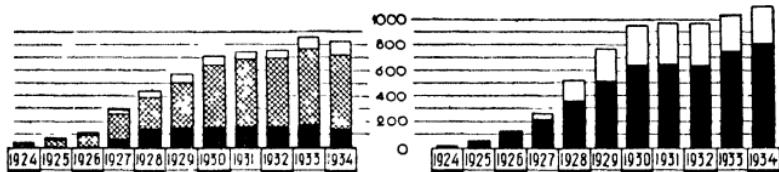
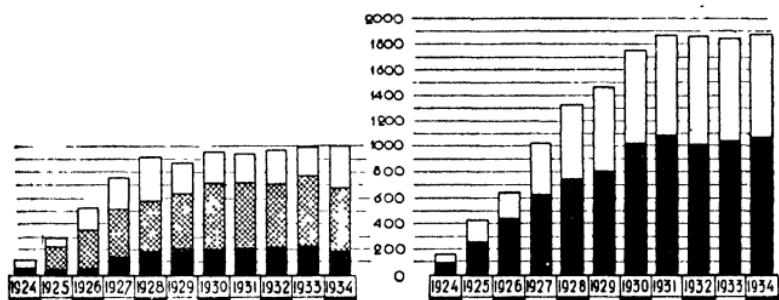
The credit operations of the Bank, which during the first few years of its activity increased rapidly, have recently developed more slowly, owing to the prevailing crisis. The total amount of credits granted by the Bank reached on January 1, 1935, the sum of 1,882 million zloty, of which 807 millions is represented by long-term credits granted in mort-

gage bonds and obligations, while the balance has been granted in cash in the form of medium- and long-term loans.

So far as the participation of the various branches of industry in the credit grants of the Bank is concerned, the first place is held by the building industry, with 546 million zloty of credits. The assistance given by the Bank to dwelling-house building yielded very important results, as may be seen from the fact that the total of rooms in such dwelling-houses built with the financial assistance of the Bank amounts to over 246,000. The second place is occupied by the local government authorities, which availed themselves of the Bank's credits to the amount of 436 million zloty. Next to them come State undertakings and institutions, undertakings belonging to the National Economic Bank group which were granted credits to the amount of 293 million zloty, private industrial undertakings which were granted credits to the amount of 248 million zloty, and agricultural undertakings with 163 million zloty of credits granted. The National Economic Bank group of undertakings include a number of metallurgical and chemical concerns in Poland, among which may be mentioned Potash Salts Marketing Company, the Starachowice Mining and Smelting Company, and The Chemical Industry Boruta Company. On the territory of the Free

City of Danzig the Bank has a controlling interest in the share capital of the British and Polish Trade Bank and shares in the Bank of Danzig and in the Danzig Tobacco Monopoly.

THE STATE BANKS
(In Million Zloty)



A. The National Economic Bank (*upper part of the diagram*)

B. The State I and Bank (*lower part of the diagram*)

- Deposits
- Investments of the Treasury and administered State funds
- The Banks' capital
- Loans (granted in the form of mortgage and other bonds)
- Credits in cash

The relatively small share of agriculture in the credits granted by the National Economic Bank may be explained by the fact that a special credit institution has been established for dealing with agricultural credit, namely, the State Land Bank, which was entrusted with the task of financing the reconstruction

of the agricultural system and the organization of credit for small farmers. The National Economic Bank was allotted only the big estates, which could also obtain credit from a number of private institutions specializing in agricultural mortgage credits, of which more will be said below.

The State Land Bank was established in 1919, but only began its operations in 1924, after the currency reforms had been carried through. The capital of the State Land Bank amounts at present to 100 million zloty, and its reserves to about 37 million zloty. The balance sheet of this Bank also shows at the end of 1934 a Debt Relief Fund for agriculture into which 30 million zloty were transferred from the capital and 3·5 million zloty from the special reserve of the Bank. Its statutory activities enable it to perform the functions of a central credit institution and to act as a financial centre for small and medium farmers, as also to finance the carrying out of the Agrarian Reform. The Bank grants both short-term and long-term credits, the latter by means of issuing mortgage bonds and land improvement bonds. In addition, the Bank grants credits in cash from funds supplied by the Treasury for the purpose of giving assistance to agriculturists in general.

The total amount of long-term loans granted by this Bank in the form of mortgage bonds

and obligations at the end of 1934 was 284 million zloty, of which 173 million zloty represents loans in the form of mortgage bonds granted for the purpose of land purchase and various agricultural investments, while 111 million zloty have been issued in land improvement obligations for the purpose of land amelioration.

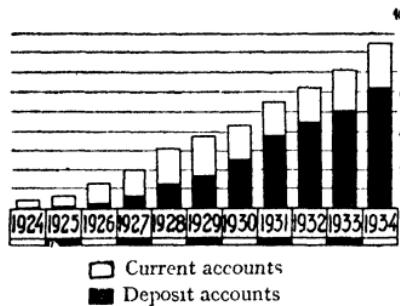
As far as short- and medium-term credits are concerned, the total of loans granted by this Bank amounted during the same period to 288 million zloty.

Loans granted from funds supplied by the State Treasury and administered by the Bank represent an important item in the Bank's total activities. These loans have been granted on especially advantageous terms of repayment and low interest rates for purposes which could not be satisfied by means of banking credit in the normal way, such as land purchase, land settlement and parcellation, unification of too small holdings, meliorations, etc. They show a steadily growing total, and amounted at the end of 1934 to 527 million zloty. The State Land Bank was also allotted the task of regulating and winding up the re-valued pre-war loans of the German and Russian Agrarian and Land-Settlement Banks which operated in Poland. The total amount of recognized claims, which in accordance with Treaties were

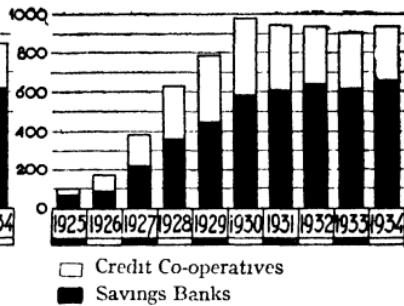
taken over by the Polish State, has been shown in the balance sheet of the State Land Bank at the end of 1934 at 263 million zloty.

Apart from purely banking activities the State Land Bank also carries out the parcellation of large estates, both those acquired by purchase or received for sale on commission.

A. POST OFFICE
SAVINGS BANKS
(*In Million Zloty*)



B. SAVINGS BANKS AND
CREDIT CO-OPERATIVES
(*Deposits in Million Zloty*)



During the whole period of its activities the Bank was instrumental in definitely parcelling a total of 133,434 acres.

The third State financial institution, the Post Office Savings Bank, has for its main object the fostering of popular thrift and of cheque turnover, while direct credit operations form only a secondary line undertaken only in order to earn the necessary interest on deposits.

The saving deposits with the Post Office Savings Bank show a continuous and steady

growth, and by the end of 1934 had reached a total of 624 million zloty. Deposits on current (cheque) accounts amounted during the same period to 234 million zloty, both items together totalling 858 million zloty.

Direct credit operations are limited to relatively unimportant amounts. On January 1, 1935, the short-term credits granted amounted to about 31 million zloty. Of great importance for the development of the credit market in Poland, on the other hand, is the investing activity of the Post Office Savings Bank, which invests its reserves and the deposits of its clients in gilt-edged, interest-bearing securities, thus creating an important market for these securities. On January 1, 1935, the total of investments amounted to no less than 615 million zloty.

In order to facilitate the accumulation of savings on the part of Polish emigrants abroad, and also in order to organize the remittances of money between the more important emigration centres in foreign countries on the one hand and Poland on the other, the Post Office Savings Bank formed a separate and autonomous institution as a joint-stock company, namely, the Polish Aid Bank (*Polska Kasa Opieki*), which maintains a number of branch offices and agencies in foreign countries, *inter alia* in Paris, Buenos Aires, and Tel Aviv.

In 1928 the Post Office Savings Bank opened a special department for popular life insurances. By the end of 1934 this department had issued a total of 91,000 insured lives for a grand total of 146 million zloty.

In the group of State banks may be included the *Acceptance Bank*, which, although a joint-stock company, may nevertheless be considered as a public institution because of its special functions and the controlling share of the Treasury and of the State financial institutions in the capital of this Bank.

The Acceptance Bank was established in 1933 in connection with the decision of the Government to lighten the burden of debt weighing on agriculture. It grants acceptance credits to financial institutions which offer to their agricultural debtors statutory reliefs by way of lowering interest and spreading the repayment of the capital of the loans over a greater number of years. For this purpose the Acceptance Bank grants acceptance credits for the unfreezing of banking assets and on its part receives the right to issue its own bonds up to 100 million zloty. The capital of the Acceptance Bank amounts to 20 million zloty. Up to January 1, 1935, the Bank approved conversion agreements for a total amount of 140 million zloty.

2. JOINT-STOCK BANKS

The normal development of private banking dates only from 1924, the year in which the currency reforms were carried through. After the introduction of the new gold parity currency, a number of banks which were established and operated only because of the exceptional conditions prevailing during the inflation era closed their doors, while the remaining banks, which had sound and permanent foundations of existence, quickly recovered and increased both their capital resources and their activities. The process of banking recovery was, however, once more interrupted by the collapse of the zloty in 1925. Joint-stock banks lost a considerable part of their working capital and foreign investments and were obliged severely to restrict their active operations. The new development of private banking began about the middle of 1926, or from the time when the zloty was *de facto* stabilized on the new, reduced parity. Thanks to the general improvement of economic conditions the process of internal capitalization and accumulation of savings increased in its intensity, manifesting itself in a rapid increase of deposits, which reached their highest level in 1930, and amounting in all to about 1,200 million zloty. At the same time there could be observed a con-

siderable influx of foreign short-term capital loans which found in Poland a remunerative employment. Based upon this new capital, particularly upon the growing deposits, the credit activity of the banks reached considerable dimensions. By the end of 1930 the banks were able to grant credits aggregating to a total of 1,900 million zloty, without undue pressure on their rediscount with the Bank of Poland. During the years ensuing upon the stabilization of currency the banks were able to strengthen considerably their financial structure and to accumulate large reserves, which enabled them to withstand the acute crisis which overwhelmed European banking from the middle of 1931.

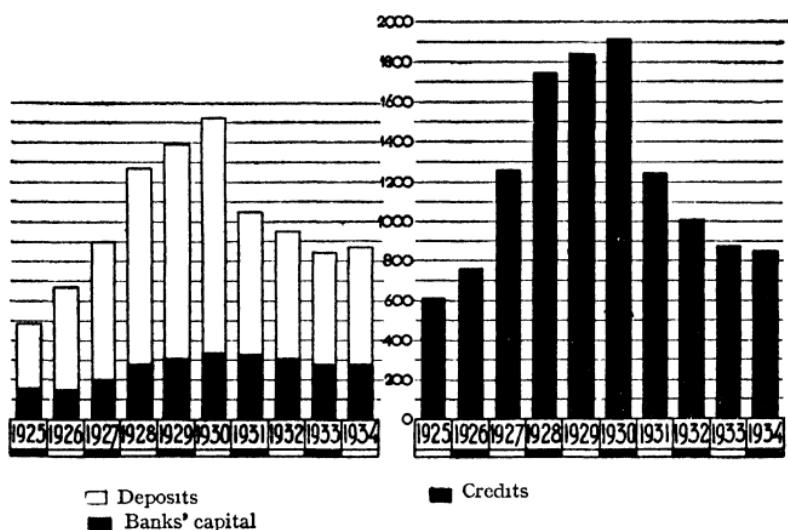
The collapse of great foreign banks, particularly of German and Austrian banks, influenced all the more the position of joint-stock banks in Poland as the participation of foreign capital in Polish banking is of rather large proportions both with regard to the share capital of Polish banks as also to the credits granted. Thus it was that the crisis affected in the first place those banks which were organically connected with foreign banks, as the latter, beset with their own difficulties, began to withdraw their deposits from Polish banks. This movement was accompanied by withdrawals of deposits by the Polish public,

with the result that Polish banks were deprived of a part of their working capital and forced to a rigid curtailing of their credit-granting activities. The atmosphere of distrust among the depositors of these banks affected also other banks which were free from adverse foreign influences. Nevertheless, in comparison with the banks in many other countries, Polish banks were able, thanks to their great liquidity, to overcome this difficult period without convulsions. This became possible because, as far as the business transacted is concerned, the great majority of Polish banks are deposit banks, which engage exclusively in short-term credit. There are only two private banks at present in Poland which transact both short-term credit operations and mortgage loans based upon the issue of mortgage bonds.

In addition, two of the communal banks are of the same mixed character, while besides short-term credits they grant long-term loans in the form of communal bonds. That type of bank, frequently met with in Central Europe, which engages in investing its resources in industrial or commercial undertakings has not become popular in Poland. During the present crisis particularly, these banks were exposed to its full destructive impact, suffering great losses on the financing of industry and accumulating immense sums of frozen capital assets.

The different nature of business transacted saved Polish banks from this danger. They were able to mobilize in a relatively short time a part of their capital assets in order to meet the demands of depositors and foreign

JOINT-STOCK BANKS
(In Million Zloty)



creditors. Only a few banks were obliged to a small extent to take advantage of the Government's assistance. Thanks to this fact, only very few institutions suspended payments during the period of the present crisis, mainly smaller provincial banks or banks which played only an insignificant part in the general credits system of the country. The winding up of such banks was carried out without exposing

the creditors to undue losses, particularly in so far as depositors were concerned.

While they showed great powers of resistance, Polish banks nevertheless suffered very considerably by the contraction of their active and passive operations, which reduced their earning capacity. As a consequence, the majority of banks have not paid any dividends during the last three years. The decline of banking operations was most marked during the years 1931 and 1932. As from the middle of 1933 the decline became less pronounced, while during the following year it ceased altogether, and a gradual revival of banking activities has been observable during the last few months. At the same time the earning capacity of banking institutions has improved during the current year. The contraction of the activities of the joint-stock banks has shown itself in a reduction of deposits, which declined by almost one-half, i.e. from 1,200 million zloty to 572 million zloty, while the amount of credits granted was reduced from 1,900 million zloty to 880 million zloty by the end of 1933.

There are in Poland at present 43 active joint-stock banks, of which 39 are Polish, while four are foreign banks with headquarters in other countries, which operate in Poland through local branches. At the end of 1934 the joint-stock banks represented a capital

of 280 million zloty, deposits amounted to 596 million zloty, while credits granted amounted to 867 million zloty. The total of the balance sheet amounted to 1,930 million zloty.

Besides joint-stock banks there are in Poland 27 private banking houses and exchange bureaux, which, however, are of no importance to the monetary and credit markets.

3. SAVINGS BANKS AND CO-OPERATIVE CREDIT INSTITUTIONS

Owing to the existing preponderance of small producers in the economic life of Poland both in agriculture and industry, the importance of savings banks and credit co-operatives is very considerable. As they are distributed widely throughout the country the savings banks and credit co-operatives perform the exceedingly useful function of collecting the small savings of large masses of the population. There are at present in Poland 363 communal savings banks, of which 227 are rural district banks and 130 municipal banks. There are, moreover, six County and inter-communal savings banks and two non-communal savings banks of a public character. The total savings accumulated by these institutions at the end of 1934 amounted to 664 million zloty, or more than all the joint-

stock banks taken together. The great majority of those savings, nearly 90 per cent, are represented by savings which show a steady and uninterrupted tendency to increase even during the years of crisis. The main active operations of such savings banks consist in granting short-term credit, while the granting of mortgage loans, which figured so prominently among the activities of these institutions before the war, has now almost ceased. The total of credits granted by the savings banks surpasses the total of saving deposits, amounting to about 700 million zloty, and this may be explained by the fact that the savings banks dispose of their own capital resources and avail themselves of the rediscount with the State banks and the Bank of Poland.

A somewhat distinct type of communal institution is represented by communal loan and savings offices, which cover by their activities exclusively village communes. They are only small institutions and number about 900. They exist only on the territories of the central and eastern counties and do not play any considerable part on the monetary market but perform a useful auxiliary function on the small credits market. The total of their working capital and of loans granted by them amounts to little over 20 millions.

There are at present in Poland about 6,000

credit co-operatives. The total amount of deposits in these institutions reached at the end of 1934 nearly 300 million zloty, while the total of loans granted amounts to about 500 million zloty. Credit co-operatives play a particularly important part in the granting of credit to small agricultural holders. As in the case of the communal savings banks, credit co-operatives find their support in the State banks, while the larger amongst them may use the rediscount with the Bank of Poland.

Both the savings banks and credit co-operatives are controlled by their own superior organs which perform the function of their respective financial headquarters. In the case of savings banks these organs are: The Communal Credit Bank of Poznań (Komunalny Bank Kredytowy w Poznaniu) and the Polish Communal Bank in Warsaw. In the case of credit co-operatives the part of financial headquarters and acceptance houses upon which co-operatives may call for financial assistance in case of need is played by: the Union of Co-operatives Bank in Poznań (Bank Związku Spółek Zarobkowych w Poznaniu), the Central Bank of Agricultural Co-operatives in Warsaw (Centralna Kasa Spółek Rolniczych w Warszawie), and a number of smaller institutions. The State banks make use of the system of savings banks and credit co-operatives for

the purpose of distributing credits, and in addition render financial assistance to facilitate the operations of newly established savings banks or co-operatives.

4. LONG-TERM CREDIT INSTITUTIONS

In addition to the two State banks already described, i.e. the National Economic Bank and the State Land Bank, there operate in Poland in the field of long-term credit a number of private institutions, namely, three land credit associations (similar to the Landschaften in Germany) supplying long-term credit to land-owners, fourteen municipal credit associations, two joint-stock mortgage banks, and the Credit Association of Polish Industry. Nearly all the above-mentioned institutions were established long before the war, while some of them have existed for over a hundred years (e.g. the Poznań Land Union, established in 1821; the Land Credit Association in Warsaw, established in 1825 and in Lwów in 1842). Similarly, the municipal credit associations were nearly all established long before the war, and thus they are older and more developed than similar institutions existing in Germany.

The institutions of long-term credit were able to resume their activities only after the currency reforms were carried through in

1924. Their maximum activity was spread over the years 1927–30. During the subsequent two years this activity suffered considerable diminution owing to the deterioration of general economic conditions, while during the years 1933 and 1934 no new long-term loans were granted as, during that period, a conversion of the existing long-term loans into lower interest-bearing paper with a longer period of amortization was carried out, and besides the unfavourable conditions of the investment market for mortgage and other bonds made new issues impracticable.

As a result the amount of loans issued in the form of mortgage bonds and obligations has been reduced during the last two years. A further cause of the decline in the amount of issues was partly the repayment of previously issued loans, but mainly the depreciation of foreign currencies (dollars and sterling) in which some of the bonds were issued.

Of the many existing institutions the most important are the land credit associations (in Warsaw, Poznań, and Lwów) which are organized on the lines of co-operative societies on the basis of mutual credit. These associations make loans in mortgage bonds and also bonds secured on landed property. The total amount of issues made by land credit associations at the end of 1934 was 413 million zloty,

or 46 per cent of all loans granted by private institutions for long-term credit. On similar lines are organized municipal credit associations which grant loans in mortgage bonds secured on urban properties. The total amount of such loans reached at the beginning of this year 321 million zloty, or more than 36 per cent of the amount of all loans. The remaining institutions, namely, the two communal and the two mortgage banks, play a relatively less important part, as the total amount of loans granted by the four banks scarcely reaches 120 million zloty. The remaining institution, the Credit Association of Polish Industry, established for the financing of industrial investments by means of mortgage bonds issues, shows on December 31, 1934, a total of 36 million zloty of long-term loans granted.

The total amount of issues made by the private institutions of long-term credit, including the re-valued pre-war issues, was on December 31, 1934, 889 million zloty. The total amount of long-term loans made by private institutions is considerably smaller than that made by Government banks, which show on the same date a total of 1,091 million zloty of mortgage and other bonds issued, or more than 200 million zloty above the total made by private institutions.

Until 1932 the nominal rate of interest on

loans made in mortgage and other bonds was from 7 to 10 per cent. As from 1933 the rate of interest was lowered to $4\frac{1}{2}$ and $5\frac{1}{2}$ per cent by a special law issued at the end of 1932. At the same time there was lowered to the same level the interest coupon attached to issues made on the basis of loans granted. The reduction, however, did not apply to the issues made by the two Government banks (i.e. the National Economic Bank and the State Land Bank), to securities guaranteed by the Treasury, and to issues placed in foreign countries by public subscription and quoted on foreign stock exchanges.

5. INTERNAL CAPITALIZATION

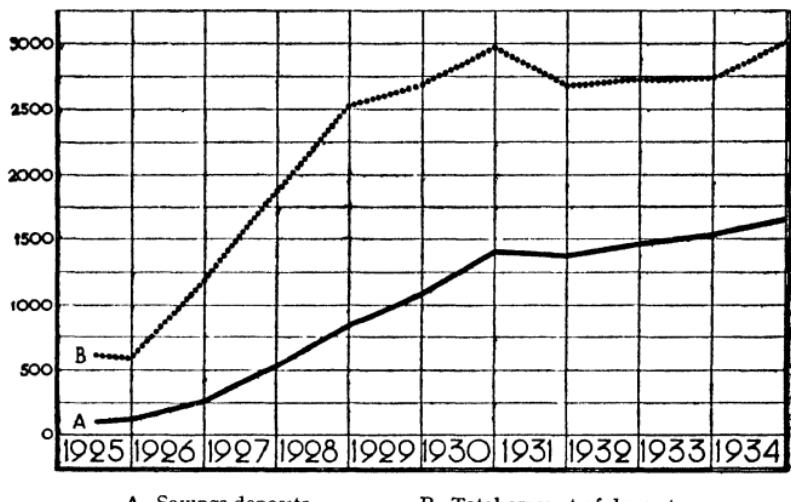
The process of internal capitalization in Poland could only begin after the introduction of gold currency in 1924. The total amount of savings deposits entrusted to credit institutions at the time when the zloty currency was introduced was so small that it may be said without exaggeration that the accumulation of capital by means of savings, which was begun in 1924, had literally to start from zero. The collapse of the zloty about the middle of 1925 caused a partial withdrawal of deposits and stopped for a time the accumulation of savings. It was not till the middle of 1926, after the currency

was stabilized, and Poland entered on a new phase of economic revival, that the process of capital accumulation gained in intensity, revealing itself in a considerable increase of deposits in all the credit institutions. This development is shown in the diagram on page 74, which illustrates the total state of deposits in all Polish credit institutions, including the savings banks and credit co-operative societies.

This rapid increase of deposits lasted till the first quarter of 1931, when it reached a total of over 3,000 million zloty, or four times the amount existing in the middle of 1926. During the second half of 1931, however, the position changed. From that time began the withdrawal of deposits from credit institutions, which at times reached considerable dimensions, and lasted, with many fluctuations, until the middle of 1933. During the first phase this efflux was to a great extent caused by events which occurred in foreign banking, namely, by the collapse of Austrian and German banks, which, as has been pointed out earlier, had serious repercussions on Polish banks. In the subsequent development of the situation capitalization was adversely affected by the depreciation of many currencies with the sterling and dollar at their head, which gave rise to many anxieties among Polish depositors as well. In addition, the ever-deepening economic crisis, which

reduced profits and earnings, not only put a brake on the accumulation of capital but caused a contraction of earlier savings which were being used up for current needs. The maintenance of an unimpaired parity of cur-

STATE OF DEPOSITS IN ALL FINANCIAL
INSTITUTIONS
(*In Million Zloty*)



A. Savings deposits

B. Total amount of deposits

rency and the power of resistance of the credit structure in Poland against the ill effects of the crisis were responsible for the fact that apart from the first six months of 1931 the withdrawal of deposits did not assume during subsequent years excessive dimensions, while about the middle of 1933 it completely came to an end. From that time onwards a renewed

increase of deposits set in, gaining steadily in intensity particularly during the course of last year.

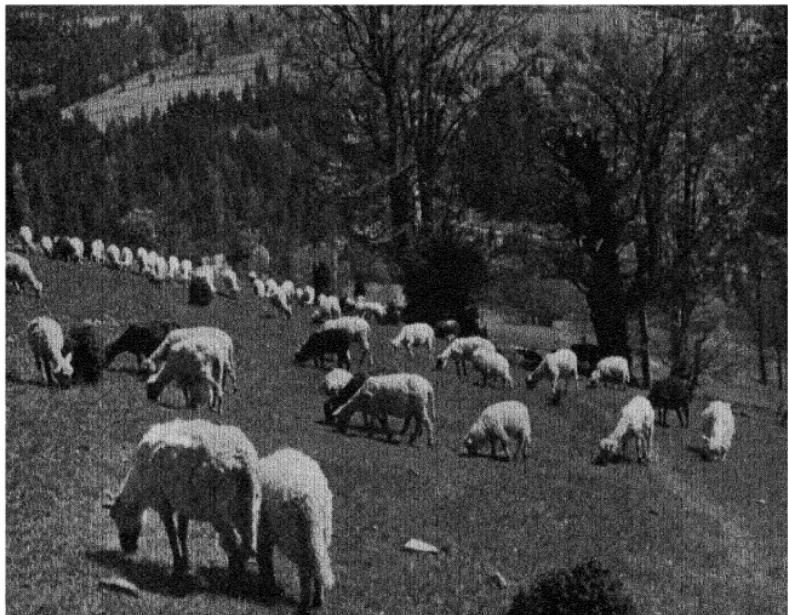
Towards the end of 1934 the total amount of deposits in the credit institutions passed the 3,000 million zloty mark, thus approaching the highest level reached before the world economic crisis set in. The course of savings deposits was much more favourable, because except in the year 1931, when they showed a slight decline, their amount has been uninterruptedly rising, reaching during the last few months the imposing total of 1,700 million zloty.

Internal capitalization as expressed by the growth of deposits was powerfully aided by the accumulation by the Treasury of funds obtained from budgetary surpluses and from special taxes imposed for the purpose of financing definite public works. These accumulated funds are being distributed for productive purposes mainly in the form of credits by the State banks. The total of Treasury funds invested in or administered by the National Economic Bank and in the State Land Bank amounted at the end of 1934 to 1,061 million zloty. Here may be mentioned also the growth of capital resources and reserves both of the private insurance companies and of the compulsory social insurance companies. The total

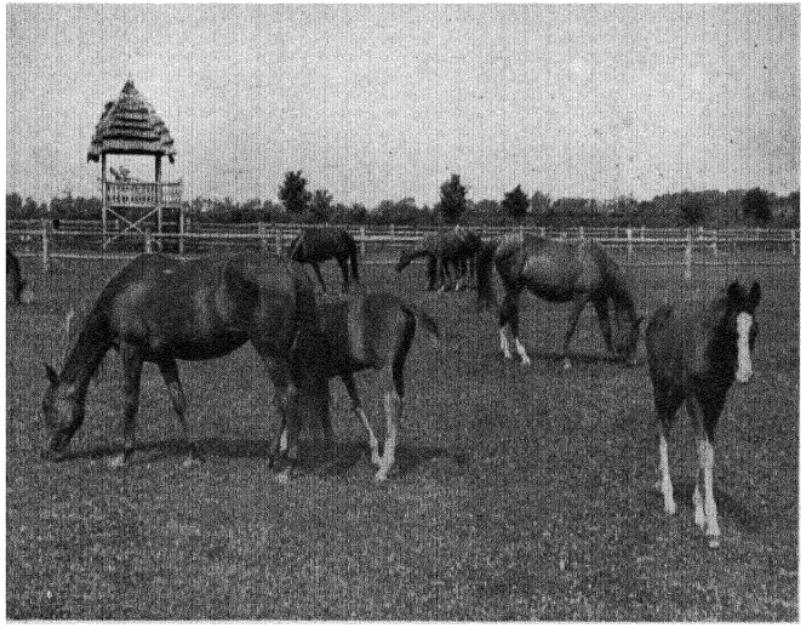
76 POLAND AND HER ECONOMIC DEVELOPMENT

of such funds with both the private insurance companies and the social insurance institutions amounts at present to over 1,000 million zloty.

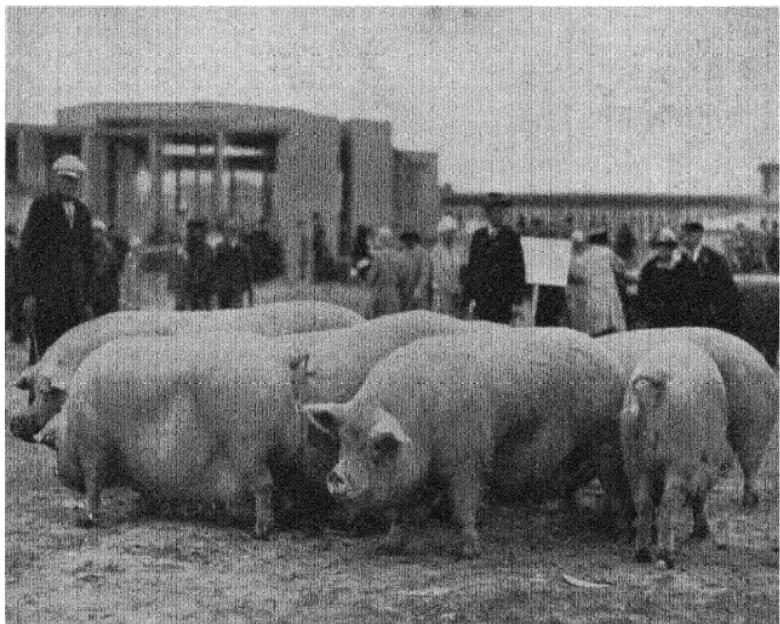
The principal foundation of internal capitalization—apart from the earning capacity and the thrift of the people—was undoubtedly laid by the stability of the currency. The maintenance of an inflexible parity of the zloty and the confidence of the people thus gained by the national currency constituted the most important factor in the slow but steady progress of internal capitalization in Poland.



XIV.—GRAZING SHEEP IN THE CARPATHIANS



XV.—THE SANGUSZKO ARAB HORSE STUD, GUMNISKA



XVI.—SPECIMENS OF POLISH-BRED PIGS



XVII.—TYPICAL POLISH-BRED CATTLE

CHAPTER III

PRODUCTION AND DISTRIBUTION

I. AGRICULTURE AND FORESTRY

THE dominant branch of the economic life of Poland is agriculture, in which two-thirds of the people of Poland are engaged. With regard to agricultural production, the production of cereals predominates over the rearing of livestock, and Poland may be regarded as one of the greatest producers and exporters of grain in Europe. The following table shows the annual crops of the most important cereals:

	<i>(In Million Hundredweights)</i>					
	<i>Wheat</i>	<i>Rye</i>	<i>Barley</i>	<i>Oats</i>	<i>Potatoes</i>	<i>Beetroot</i>
1909-13*	16·8	57·1	14·9	28·1	247·9	41·1
1924-28*	14·9	55·4	12·5	20·4	246·3	39·0
1929-33*	19·6	65·7	14·9	25·5	303·9	33·4
1929	17·9	70·1	16·6	29·5	317·5	49·7
1930	22·4	69·6	14·6	23·5	309·0	47·2
1931	22·6	57·0	14·8	23·1	309·9	27·6
1932	13·5	61·1	14·0	23·9	299·7	23·8
1933	21·7	70·7	14·4	26·8	283·3	18·5
1934	20·8	64·6	14·5	25·5	334·7	25·7

* Annual Average.

As far as the production of cereals is concerned, that of rye occupies the first place, and Poland produces 14 per cent of the world crop and occupies the third place after Russia and Germany. Similarly, with regard to the

production of potatoes Poland occupies the same place, her share in the world production of potatoes amounting to 15 per cent. Poland's part in the production of other cereals is of considerable importance, the result being that she is the thirteenth largest producer of wheat, the seventh of barley, and the fifth of oats. Poland is, after Russia, the second largest producer of flax.

A high level of agricultural production has been attained, particularly in the Western counties, i.e. in Poznania and Pomerania, where the average crops of wheat amount to about 8 hundredweights per acre, of rye 6 hundredweights per acre, barley 7·3, and oats 6·8 per acre.

Each successive year, except during periods of crop failures, Poland has produced considerable export surpluses of cereals, particularly of rye and barley. The following table shows the balance of turnover in the foreign trade with the four principal cereals during the last six economic years:

<i>Years</i>	<i>(In Thousand Tons. Export +, Import -)</i>			
	<i>Wheat</i>	<i>Rye</i>	<i>Oats</i>	<i>Barley</i>
1928-29	- 67·4	+ 56·1	- 4·3	+ 186·3
1929-30	- 2·0	+ 330·0	+ 78·8	+ 262·7
1930-31	+ 81·6	+ 266·6	+ 6·2	+ 126·9
1931-32	+ 56·7	+ 108·4	+ 2·8	+ 142·7
1932-33	+ 16·9	+ 288·3	+ 13·9	+ 161·4
1933-34	+ 49·4	+ 464·9	+ 13·8	+ 160·5
1934-35*	+ 18·7	+ 411·2	+ 36·1	+ 296·3

*August 1934—April 1935.

Equally with regard to live-stock Poland can claim an important position both as regards world production and world trade in animal products. As far as pig-breeding is concerned, Poland occupies one of the first five places in the world, with 7,082,000 heads of pigs, and she is also one of the most important exporters of live pigs, cattle, and meat. The number of horned cattle in Poland is at present 9,253,000 (eighth place among the countries of the world), of horses 3,762,000 (fifth place), and sheep 2,554,000.

Numerous well-developed agricultural industries, particularly the sugar industry, deserve special mention. During the year 1933-34 the production of sugar reached 344,000 tons, of which 100,000 tons were exported. In the production of beet sugar Poland occupies the fourth place in Europe and the sixth place in the world. In addition Poland has an extensive distilling, flour-milling, potato products, and meat products industries. The last-named industry has had a particularly rapid development, especially the bacon production, which finds its markets mainly in foreign countries.

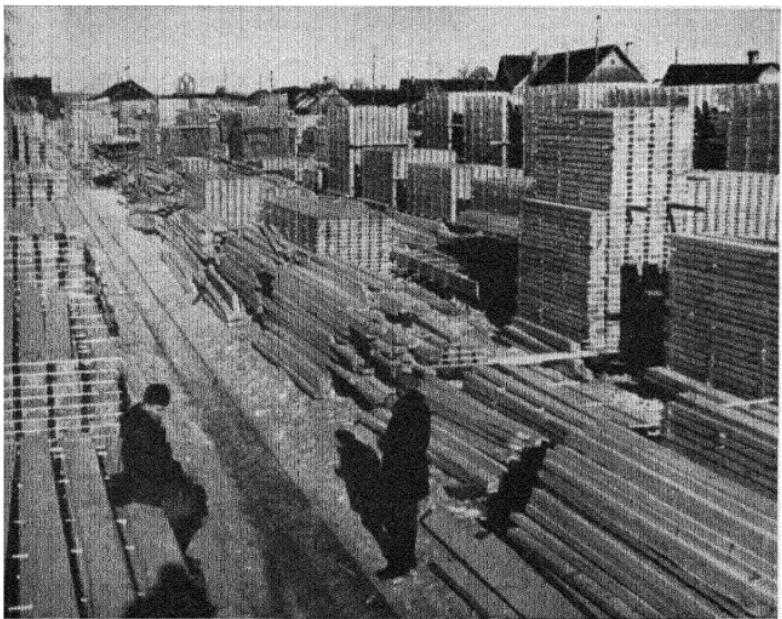
With regard to afforestation, Poland occupies the sixth place in Europe, with an area under forests of over 19·8 million acres. The annual production (growth) of timber amounts to 760 million cubic feet, which enables the

country not only to cover all her internal requirements but yields every year considerable surpluses for exports, assuring to Poland the position of one of the greatest exporters of timber in Europe. (The fourth place after Russia, Finland, and Sweden.) During the year 1927 the exports of timber from Poland reached their highest level with 6,426,000 tons exported, thus gaining for Poland the first place among European timber exporters. During subsequent years the exports of timber declined, particularly during the years of crisis 1930-32. As from 1933, however, an increase in timber exports from Poland can be observed again, and this has been maintained during the whole of 1934.

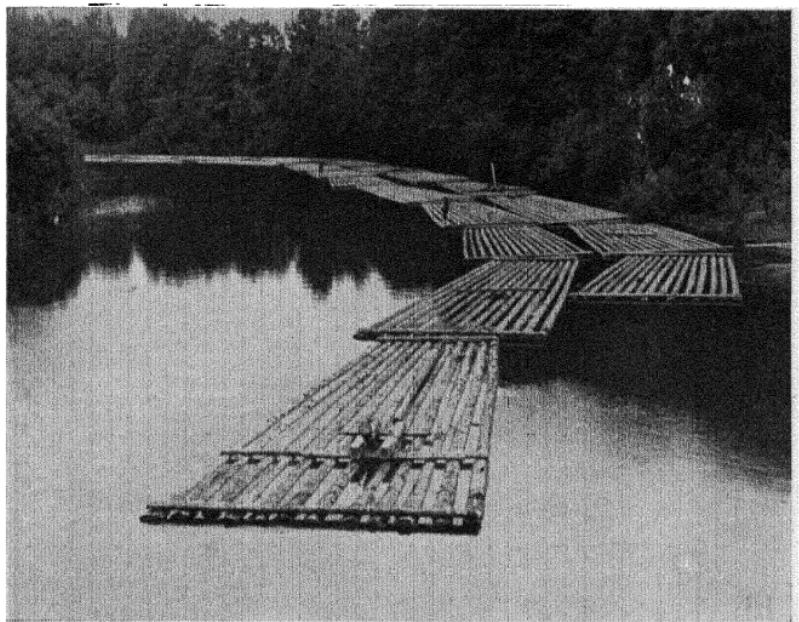
The considerable wealth of utilizable timber led to the development of many industries using timber as their raw material, such as furniture (bentwood furniture), plywood, veneers and other industries.

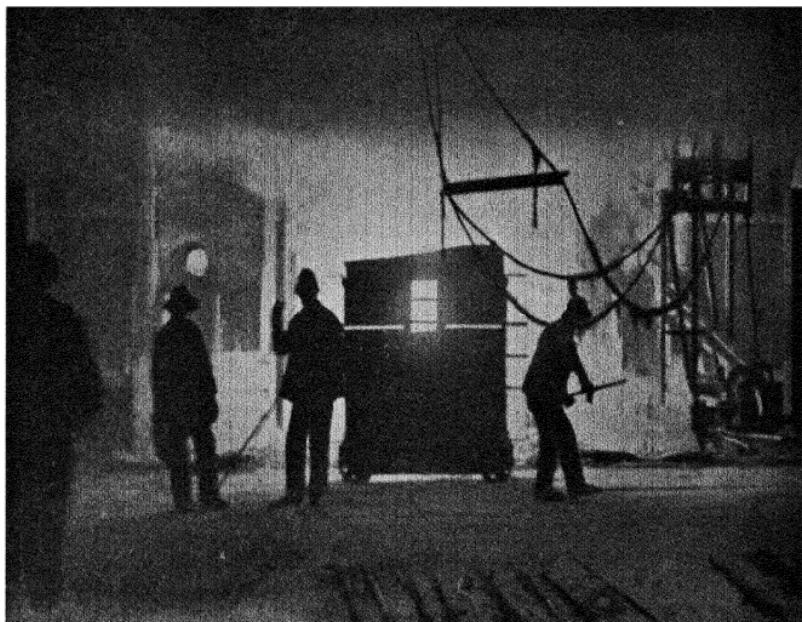
2. MINING AND INDUSTRY

The conclusion of the war found Polish industry in a considerably worse position than the industries of other countries. The Great War gave a fillip to industries in many countries, led to their extension, thanks to the huge profits they made on supplies of war material,

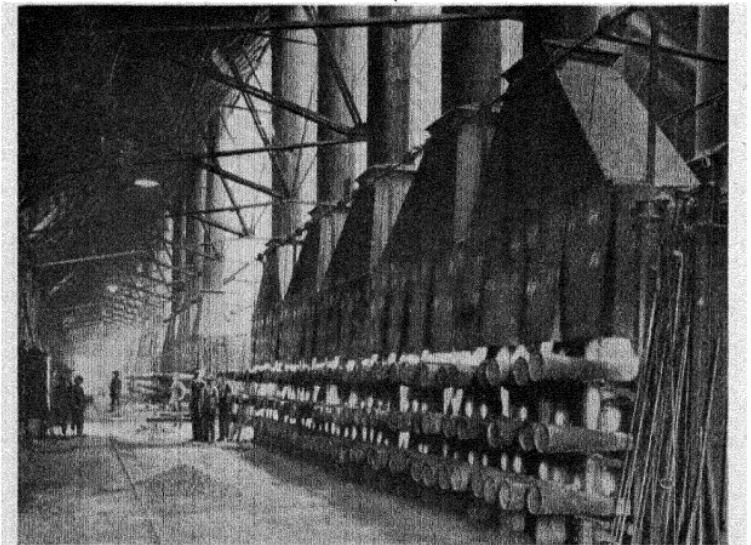


XVIII.—TIMBER YARD WAREHOUSING TIMBER FOR EXPORT





XX.—ELECTRICAL ACETYLENE FURNACES, THE STATE NITRATE WORKS
IN CHORZÓW, SILESIA

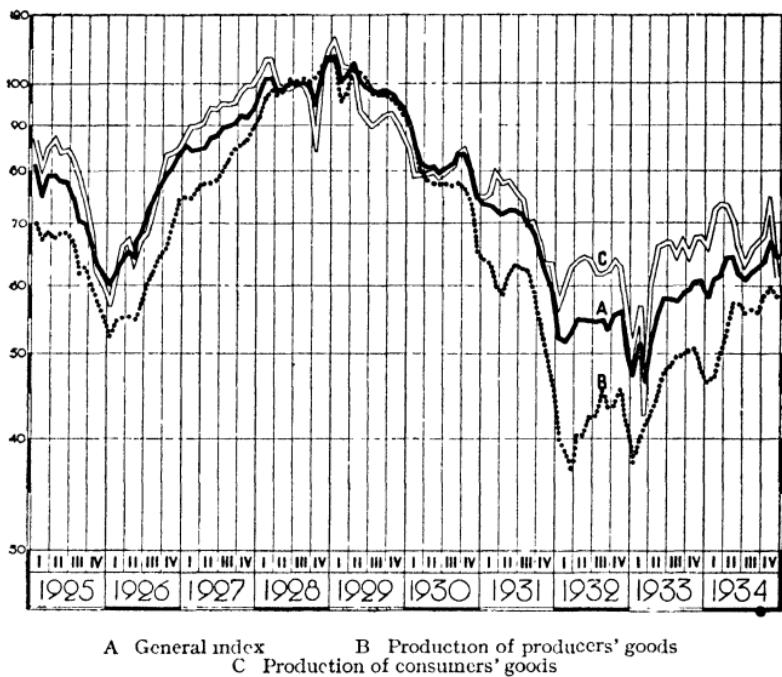


XXI.—ZINC FOUNDRY IN SZOPIENICE

and tended to their modernization and amalgamation into larger concerns. In Poland, however, the main centres of industry were either put out of action or destroyed, as has been mentioned before. Until the restoration of the Polish Republic the development of industries in the three occupied parts of Poland proceeded on separate and distinct lines, so that, when the various provinces were united in one country, the production and distribution machinery did not represent a uniform organization. In spite of the initial difficulties arising from such a state of affairs, the reconstruction of industry has been accomplished very rapidly —to a large extent even before the period of inflation was succeeded by stabilized conditions of currency. Moreover, inflation helped industry to establish itself on the home market and to introduce its products on foreign markets. The introduction of gold currency was in its first phase accompanied by an acute industrial crisis, although on the other hand it marked the beginning of an organic reconstruction of industry into a uniform entity adapted to the developmental requirements of a great State. The years of favourable business conditions which followed upon the final stabilization of currency, which took place in 1926, enabled Polish industries to achieve a high level of production and labour output. In

almost all branches of industry the pre-war levels of production were reached, and in many branches even surpassed. Then, however, the world industrial crisis, which set in in 1929,

INDICES OF INDUSTRIAL PRODUCTION
(*Logarithmic Scale*)



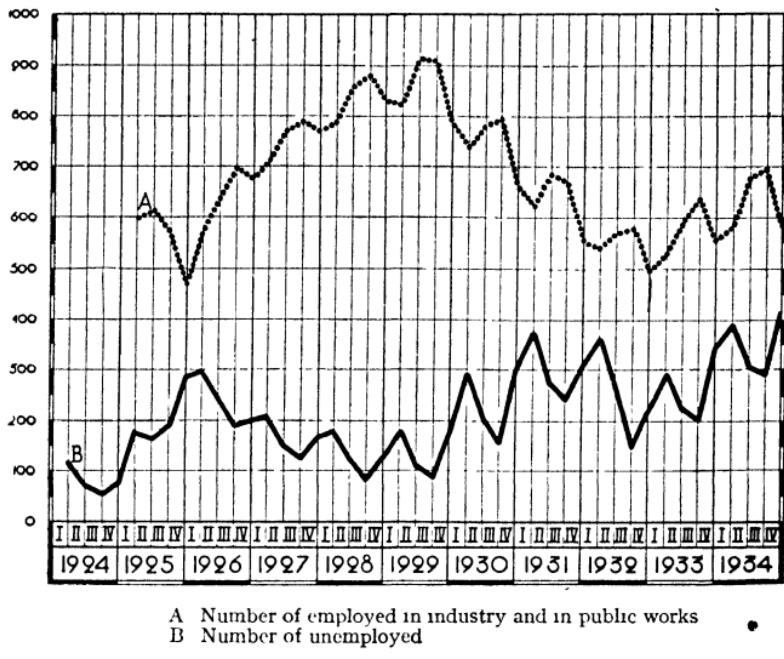
made itself felt in Poland no less acutely, leading in most industries to a steep decline of production, and consequently to a considerable increase of unemployment in the ranks of industrial labour. The process of contraction of industrial production lasted until about the middle of 1933. During the second half

of that year, on the other hand, the index of production began to show an upward trend, and this upward movement was maintained also during 1934. The movements of indices of industrial production are shown on the diagram on page 82.

The trend of industrial business conditions together with the numbers of workmen employed in industry (including public works) is shown in the next diagram on page 84. It indicates a very rapid growth as from 1926, reaching its highest levels about the middle of 1929, to register a rather steep decline which continued till 1933. After the middle of that year an upward movement can again be observed, continuing until the present time. The state of unemployment upon the diagram shown side by side with the number of workers employed in industry varied during the preceding years according to the state of employment, declining *pari passu* with the growth of the number of the employed, or rising when the latter figure was decreasing. This trend again indicated a change as from the middle of last year, to the extent that in spite of the increase in the number of workmen employed, the number of registered unemployed continued to increase in comparison with the preceding year. The increase in the number of unemployed, apart from the fact that unemployment statistics were extended so as to embrace new categories

of workers, was caused by two main reasons: the big natural increase of population in Poland, which is adding annually from 400 to 450 thousand new workers every year who cannot

THE LABOUR MARKET



A Number of employed in industry and public works
 B Number of unemployed

all be absorbed by the labour market and thus swell the army of the unemployed, and, secondly, the repatriation from foreign countries of Polish workmen who found in them employment during the years of favourable business conditions, but owing to the world crisis lost their work and have been obliged to return to their own country.

In the exploitation of her *mineral resources* Poland plays a considerable part in the international field. More especially in the *coal-mining industry* production reached its highest level in 1929 (46 million tons), when it surpassed the level of pre-war production. During subsequent years, however, owing to the contraction both of the home market (by 5 million tons) and of the export markets, the production of coal conspicuously declined and sank to its lowest level in 1933. The production and sales of coal are shown in the following table:

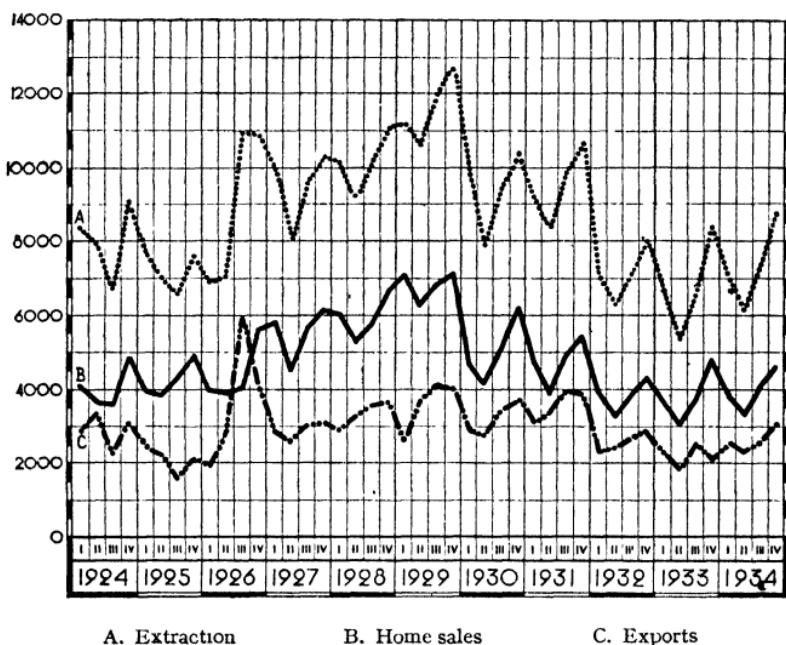
(ooo's omitted.)

<i>Year</i>	<i>Production</i>	<i>Sales on the Home Market</i>	<i>Exports</i>
1925	29,081	17,168	8,228
1926	35,747	17,642	14,707
1927	38,084	22,195	11,579
1928	40,016	23,561	13,407
1929	46,238	27,123	14,371
1930	37,511	20,292	12,811
1931	38,265	19,042	14,326
1932	28,835	15,195	10,362
1933	27,339	15,261	9,703
1934	29,233	15,784	10,406

In the production of coal Poland occupies the fifth place after Great Britain, Germany, Russia, and France, while as a coal-exporting country she occupies the third place after Great Britain and Germany. The sharp decline in the production and the sales of coal, which can be observed from the preceding table,

during the last few years is not an isolated phenomenon and has been caused in an equal measure by a decline in the home consumption of coal as well as by reduced requirements in

EXTRACTION AND SALES OF COAL
(*In Thousand Tons*)

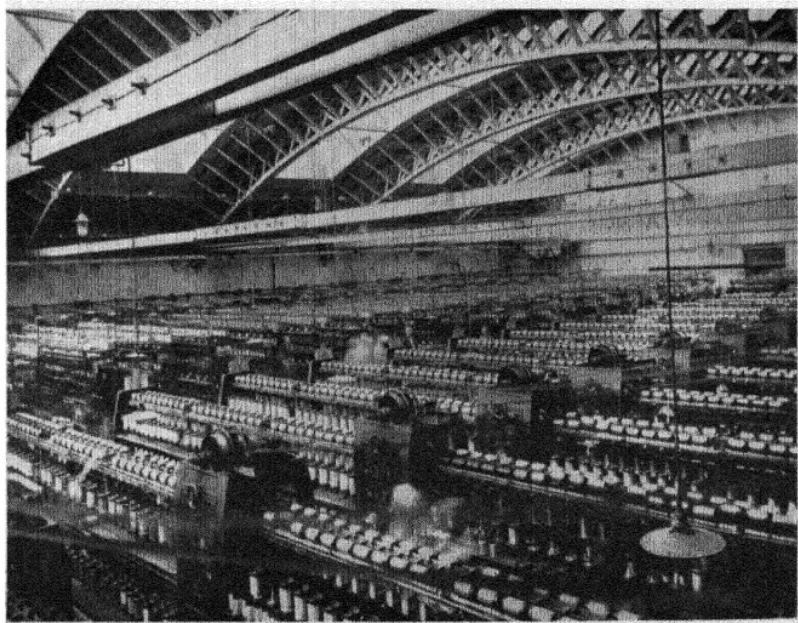


foreign countries. Other countries, particularly the coal-exporting countries, have found themselves faced with similar difficulties as Poland.

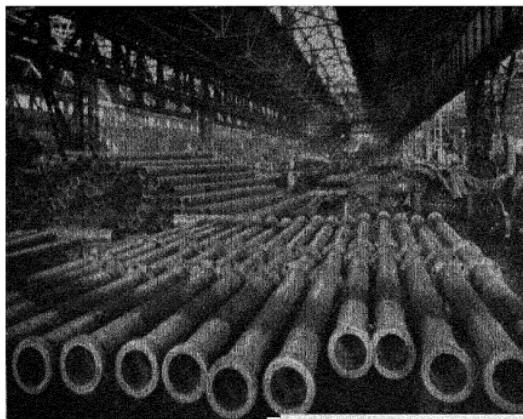
In spite of the competition in coal export markets which during the last few years became ever keener, the Polish coal industry has been able not only to maintain but even to extend



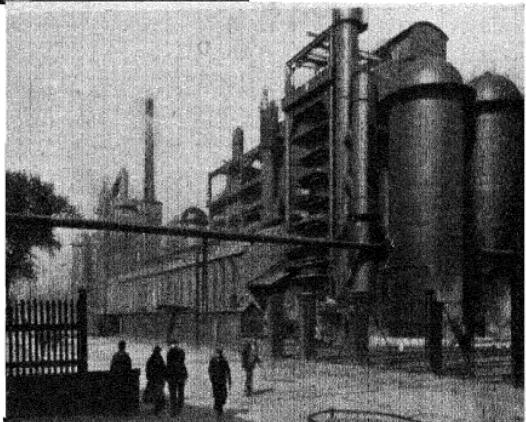
XXII.—BORYSLAW: CENTRE OF THE POLISH OIL INDUSTRY



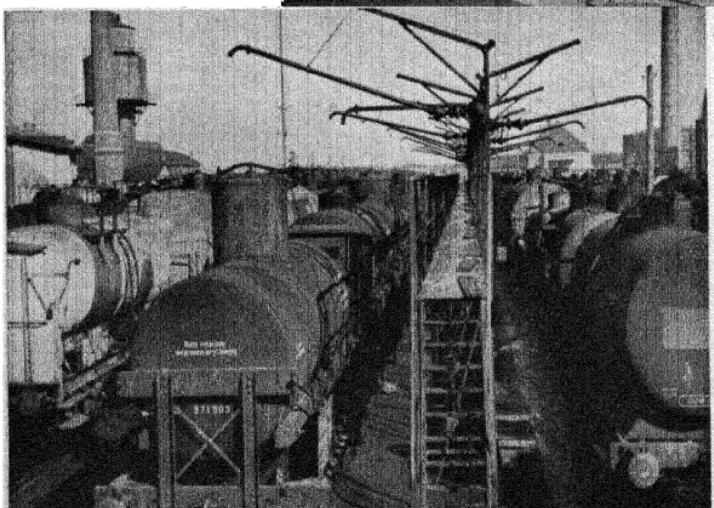
XXIII.—TOMASZÓW: INTERIOR OF AN ARTIFICIAL SILK FACTORY



Left. XXIV.—PIPE
FOUNDRY IN SILESIA



Right: XXV.—IRON
FOUNDRY IN NOWY
BYTOM, SILESIA



Below: XXVI.—
TRANSPORT OF PETROL
FROM THE STATE RE-
FINERY, POLMIN

its markets. The exports of coal from Poland are directed mainly to the Scandinavian countries (40 per cent of all exports), and also to the countries of Central and Western Europe. Losses suffered during the last few years on the Central European markets, because of declining consumption and the introduction of import and currency restrictions, have been to a great extent made good by gains made in the countries of Western and Southern Europe. These results were obtained thanks to the high quality of Polish coal, which stands comparison with the best sorts of British coal, and also thanks to the technical progress and improvements in organization which the Polish coal industry has accomplished during the last few years.

With regard to *oil mining*, Poland, together with Russia and Rumania, constitute the three great producers of oil and oil by-products in Europe. The extraction of crude oil reached in 1934 530,000 tons, while the production of oil by-products amounted during the same period to 484,000 tons. The oil by-products are consumed as to 60 per cent on the home market, while the remaining 40 per cent are mainly exported to the countries of Central Europe.

During the post-war years the *mining of potash salts* has been extensively developed

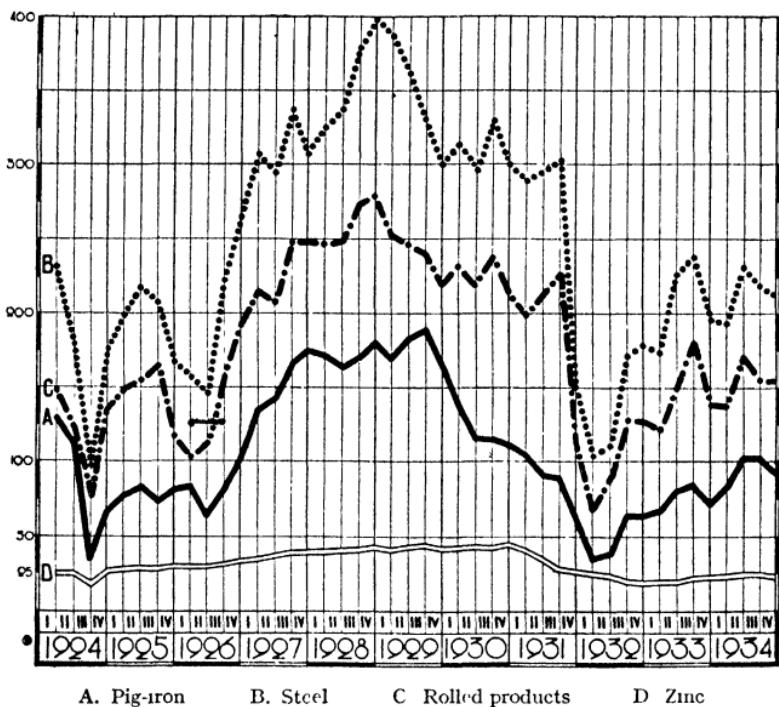
on Polish territory, a fact of great importance as regards the intensification of agricultural production. A certain amount of potash salts continue to be exported. The company which operates the potash salt mines (in Kalusz, Stebnik, and Horyn) is owned by the National Economic Bank.

The productive capacity of the Polish *iron foundries* surpasses the present requirements of the country, and consequently a large part of iron products is destined for exportation. In the European production of *pig-iron* Poland occupies the ninth place, while in the production of *steel* she occupies the eighth place. The highest level of production in the iron and steel industries was reached during the years 1928–29, when in each year there were produced on the average 700,000 tons of pig-iron and 1,400,000 tons of steel. During subsequent years this production suffered a marked decline, but the years 1933–34 showed an improvement in the figures of employment in this industry, and during last year the production of pig-iron amounted to 382,000 tons and that of steel to 856,000 tons.

Polish production of *zinc* has an even greater importance on the export markets, as Poland occupies the third place in the world production of zinc, following on the United States and Belgium. The production of zinc amounted

in 1934 to 93,000 tons (1930 to 174,000 tons), or about 9 per cent of the world production. Exports of this metal during 1934 amounted to

FOUNDRY PRODUCTION
(*In Thousand Tons*)



67,000 tons, which puts Poland into the second place on the world markets after the United States.

The new Poland could not limit herself to the exploitation of raw materials in order to cover by exportation her own requirements in manufactured goods. In fact, she was not only

obliged to endeavour to maintain such a state of industry as she inherited from the partitioning Powers, but she was impelled by many considerations to proceed to the organization of her own manufacturing industries and the creation of many new industrial branches which under pre-war conditions had no chance of existence. In the first instance, considerations of national defence demanded a measure of industrialization of the country. The main impelling cause, however, was the relatively high density of population (151 per square mile), the occupational structure of that population (rural over-population), and a great natural annual increase of population which demanded the formation of new means of employing that growing population, particularly in industry. In addition, based upon great mineral riches (coal, mineral oil, ores) and other raw materials (timber), many important industries find in Poland very favourable natural conditions for their development. All these considerations led to a rapid development of the industrialization of the country, which to-day is able to cover all its requirements by its own production and, besides, finds for many Polish manufactured goods advantageous export markets abroad.

In the *metal-manufacturing* industries, in addition to the reconstruction of existing

factories ruined during the war, new enterprises have been established and new branches of industry opened according to the requirements of the State and of the economic development of the country. Among others there were established motor-car factories, aeroplane factories, engine factories, and arms and ammunition factories. The manufacture of iron constructions, tools, and various kinds of machinery has been greatly developed. In the railway rolling-stock industry, Poland has at present six wagon factories against two before the war. Two new locomotive factories have been established which not only cover by their production all the requirements of the Polish State railways, but find a ready market abroad. A new *electro-technical* industry has been developed out of what before the war was an insignificant repairing and installation industry.

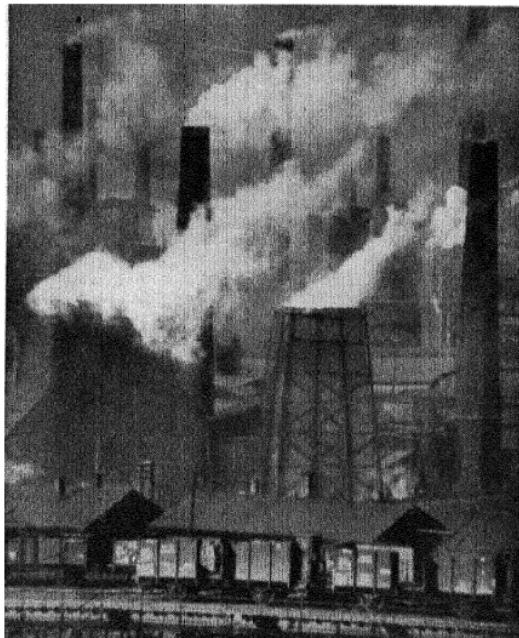
Great progress has also been made by the *textile* industry, which adapted itself to the more fastidious demands of the home market and of the new exporting markets, extended its mills, modernized its methods of production, and improved the quality of its products. It is true that the manufacture of low-grade goods which before the war were sold in great quantities on the markets of Russia and the Far East declined; on the other hand, however, in addition to the better quality of goods

produced, new branches of this industry, as for instance the *silk* industry, were established instead. The *cotton* industry in Poland has employed in recent years some 1,817,000 spindles and 47,000 looms, the *woollen* industry 773,000 spindles and 15,000 looms, the *linen* industry 22,000 spindles, the *jute* industry 30,000 spindles, and the *silk* industry 3,000 spindles.

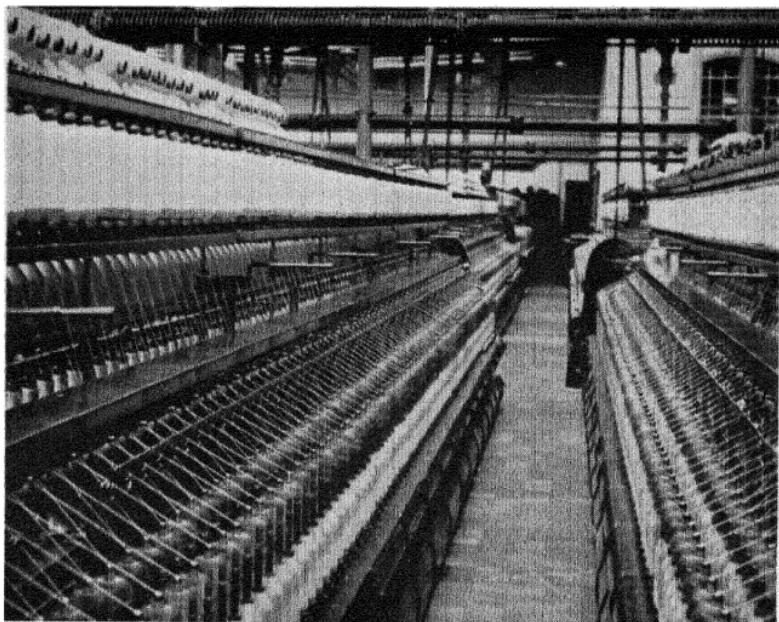
Equally with regard to the development of the *chemical* industries, Poland did not remain behind other countries, and established particularly such branches of chemical production as had a basic importance for other national industries. The important industry in fertilizers counts enough superphosphate factories with a producing capacity sufficient to cope fully with an expanding home demand. The production of nitrate fertilizers has been considerably increased by the erection of a new State Nitrate factory in Moscice in the County of Kraków, which, together with the other State factory in Chorzów in the County of Silesia, is capable not only of producing the quantities needed by Polish agriculture but disposes of considerable export surpluses. Similarly, as in the case of other countries, an artificial silk industry has been developed in Poland by the establishment of three artificial silk factories, while the dyeing industry, which is of such im-



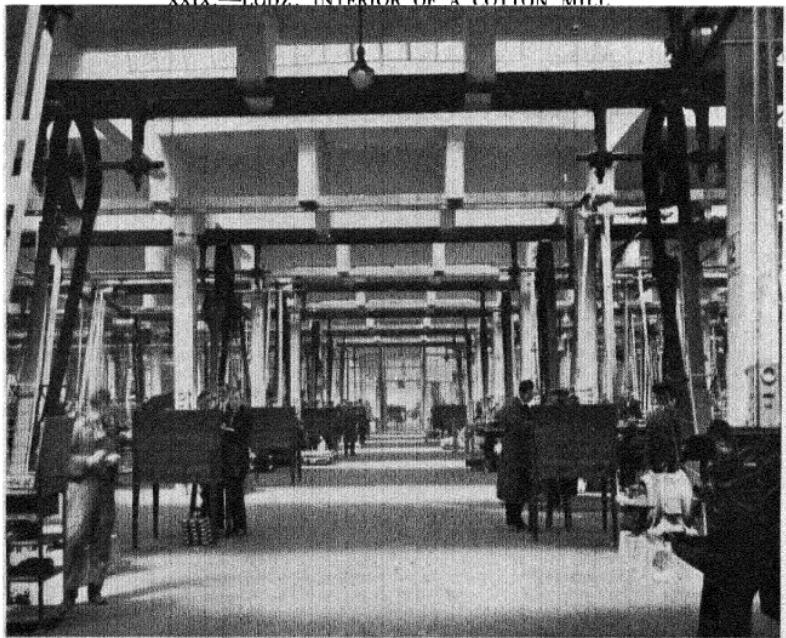
XXVII.—ŁÓDŹ: THE POLISH TEXTILE INDUSTRY CENTRE



XXVIII.—HUTA "PiŁSUDSKI," SILESIA: GENERAL VIEW



XXIX.—ŁÓDŹ: INTERIOR OF A COTTON MILL.



XXX.—POLISH MOTOR-CAR FACTORY, WARSAW

portance to the textile industry, found favourable conditions of development. An entirely new *rubber* industry was established early in the post-war years and is producing at present all kinds of rubber articles required for the home market and for certain export markets. A rapid development may be observed in all other branches of industry which play an important part in Poland's economic life, and which found in Poland favourable natural conditions of healthy growth, such as the brick industry, cement and glass industries, and paper, clothing, and leather industries.

CHAPTER IV

COMMUNICATIONS, FOREIGN AND OVERSEAS TRADE

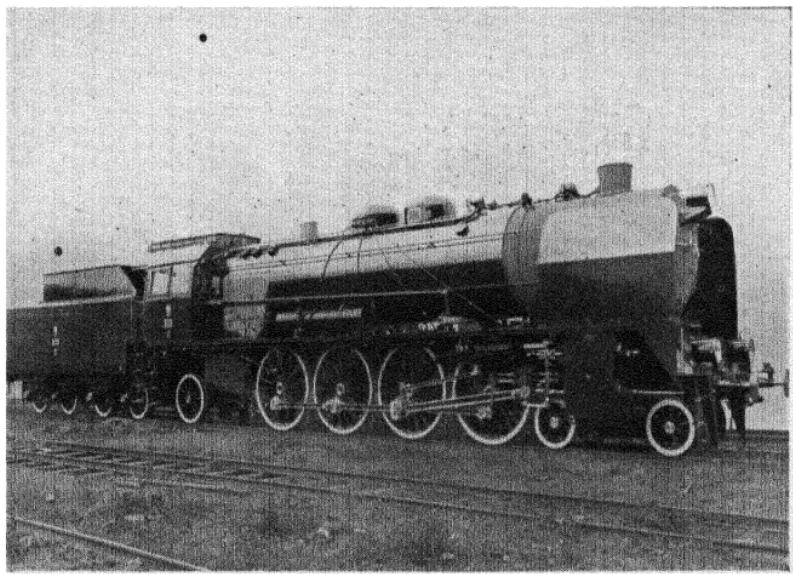
I. COMMUNICATIONS

THE railways in Poland remain the most important means of transport. The length of normal gauge railway lines in Poland is at present 11,250 miles, of narrow gauge railways 2,227 miles. During the post-war period 823 miles of new railway lines have been constructed, but the main effort, in the years immediately following the war, had to be concentrated on the reconstruction of lines and railway equipment which was destroyed during the course of war operations. Among the newly constructed railway lines special mention must be made of the main coal railway line, Silesia-Gdynia, which connects by the shortest route the industrial and mining districts with the Baltic Sea. With regard to railway rolling-stock the number of locomotives and railway carriages has been considerably increased. At the end of 1934 Polish railways had 5,400 locomotives, 12,000 passenger carriages, and 160,000 freight trucks.

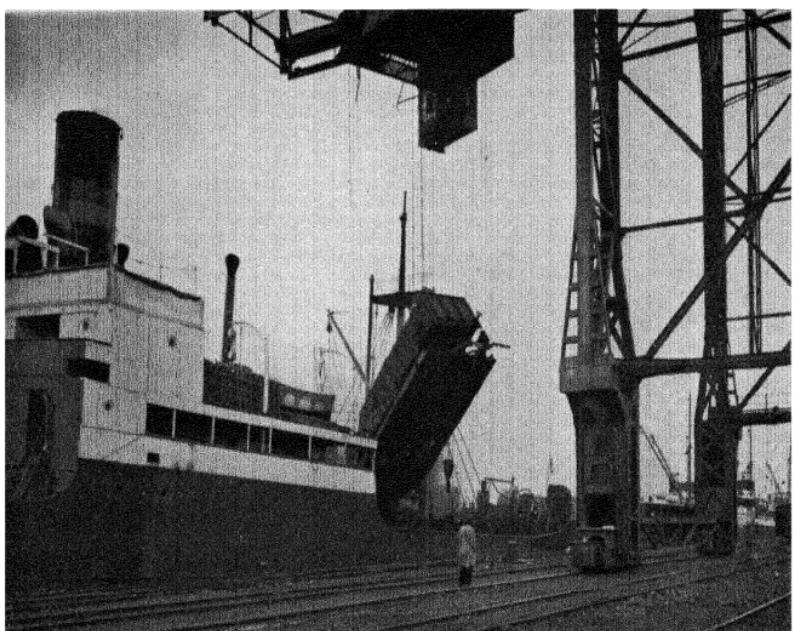
MOTOR TRANSPORT has not progressed in



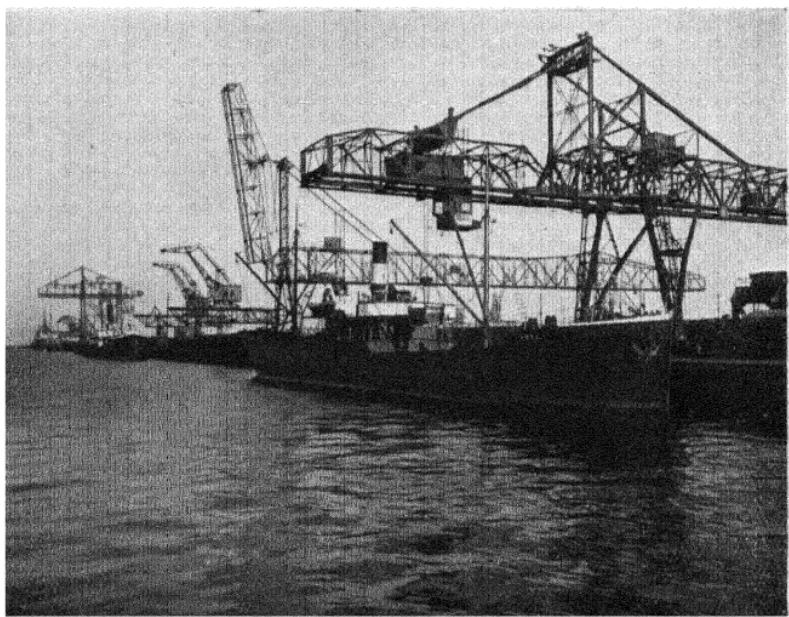
XXXI.—A TRIPLE ENGINED MONOPLANE OF POLISH CONSTRUCTION
USED BY THE POLISH AIR LINES



XXXII.—A MODERN EXPRESS LOCOMOTIVE CONSTRUCTED BY
H. CEGIELSKI, S.A., POZNAŃ



XXXIII.—COAL-LOADING, GDYNIA



XXXIV.—COAL PORT, GDYNIA

Poland as much as in other Western European countries after the war. This state of affairs is caused by an insufficiency of adequate roads over the greater part of the country, the reason being that these had been very much neglected by the alien Powers which occupied Poland before the war. The Polish Republic was not able entirely to repair this neglect, as the slow process of internal capitalization did not permit the Administration to allot sufficient funds for road construction which would raise the standard of roads in Poland to the level existing in Western Europe. The number of motor-cars in Poland is consequently not very large, and in 1934 there were only 35,173 registered motor-cars in the country. The railway system, which is still insufficient for the needs of the country, is supplemented by road transport. In 1933 there were operating in Poland 1,741 motor omnibuses which covered 13,125 miles of roads, or slightly more than the railways lines.

AIR TRANSPORT had been established in Poland as early as 1922. At the present time Polish Air Lines L.O.T. maintain regular communications between the principal cities of Poland and also between Poland and seven foreign States. During 1934 the Polish Air Lines made 6,793 flights, covering 1,071,875 miles and transporting 18,301 passengers.

With regard to *postal and telegraphic communications*, there were in Poland at the end of 1933, 4,171 post offices and 4,770 telegraph offices. The total length of telegraph lines amounted to 16,750 miles, while the total length of telephone long-distance cables amounted to 21,000 miles. In addition, Poland has one of the most powerful radio stations in Europe, the Warsaw Radio Station of 158 kilowat power. Besides the Warsaw station there are local radio broadcasting stations in seven other Polish cities.

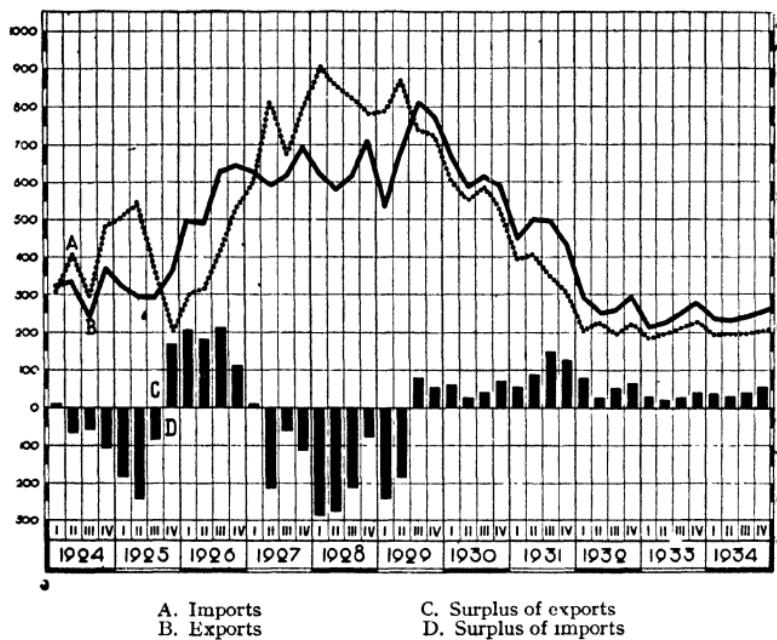
2. FOREIGN TRADE

The foreign trade of Poland showed a continuous expansion right from the very beginning of the new independent existence of the Polish Republic up to the general contraction of international trade caused by the world economic crisis. The basis of Poland's export trade consists in the highly developed agricultural production and the rich resources of industrial raw materials which are being exported either as raw materials or semi-manufactured goods.

However, with the progress of reconstruction of industry, Polish exports have come gradually to include manufactured articles, which find ready purchasers in the markets which Polish

industry was supplying before the war. On the other hand, with the consolidation of Poland's economic structure the country's capacity for consuming foreign manufactured goods equally

FOREIGN TRADE
(In Million Zloty)



increased. In view also of the huge investment requirements, imports consist mainly of industrial manufactures. In addition, as Poland develops her own industries she becomes increasingly a consumer of foreign raw materials and production articles which she does not produce at home.

98 POLAND AND HER ECONOMIC DEVELOPMENT

The following figures show the value of Poland's foreign trade during the last nine years.

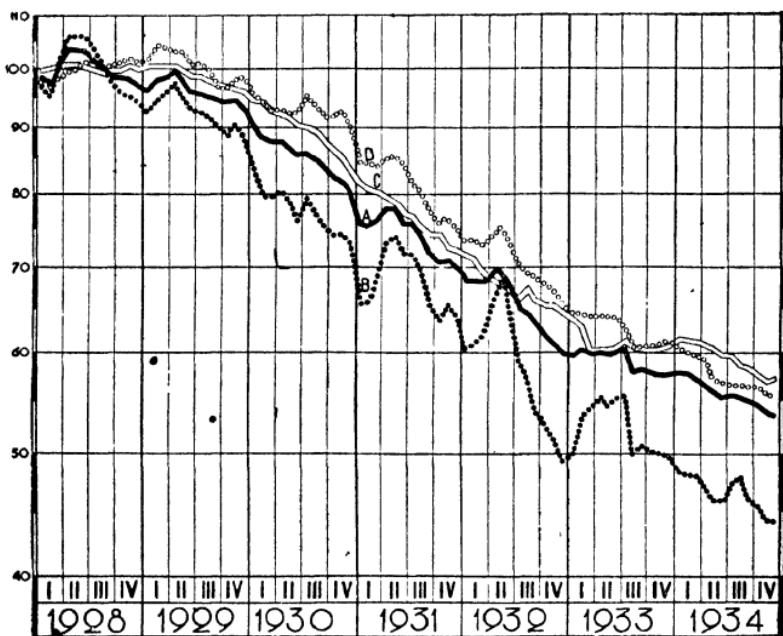
(*In Million Zloty*)

<i>Year</i>	<i>Imports</i>	<i>Exports</i>	<i>Total Turnover</i>	<i>Surplus or Deficit</i>
1926	1,539	2,246	3,785	— 707
1927	2,892	2,515	5,407	— 377
1928	3,363	2,508	5,870	— 854
1929	3,111	2,813	5,924	— 298
1930	2,246	2,433	4,679	— 178
1931	1,468	1,879	3,347	+ 411
1932	862	1,084	1,946	+ 222
1933	827	960	1,787	+ 133
1934	799	975	1,774	+ 176

The figures adduced above, as well as the curves of the diagram on page 97, indicate a rapid growth in the volume of foreign trade, particularly during the economically favourable period from 1927–29. The balance of turnover during those years was unfavourable, because Poland imported many articles consequent upon an intensive investment activity, which was facilitated through the influx of foreign capital into the country. Under the influence of the deepening economic crisis which began to paralyse economic processes and led to a cessation of investments, the imports of foreign goods declined considerably, while exports from Poland also declined, although to a lesser extent, so that from the middle of 1929 the balance of Poland's foreign trade became

favourable and has remained so ever since. The contraction of Poland's commercial turnover set in at the same time as in other countries.

PRICE INDICES
(*Logarithmic Scale*)



- A. General index of wholesale prices
- B. Home-produced agricultural products
- C. Industrial manufactures
- D. Index of retail prices in Warsaw

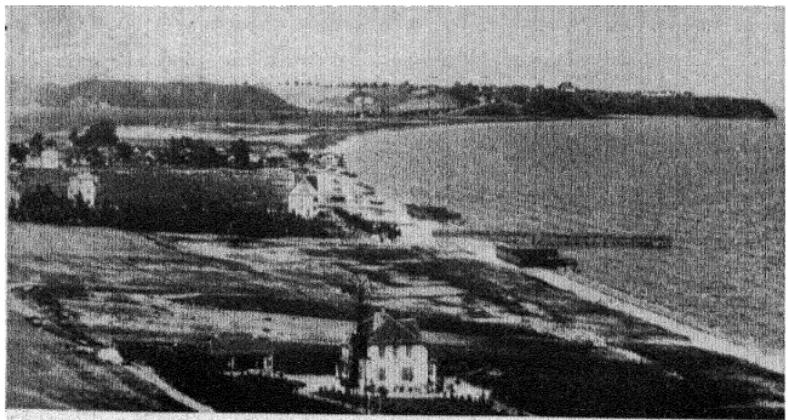
But it must be borne in mind that, apart from the quantitative decline of the turnover, the decline in the value of goods exported has been caused by the precipitate fall in prices upon international markets, a fall which affected in the first instance, and particularly, agri-

cultural products and raw materials, which, as has been pointed out before, form the largest items in Polish exports.

Consequent upon the revival of activities in the economic life of Poland which set in about the middle of 1933 there was visible also a halt in the decline of foreign trade turnover, and the year 1934 resulted even in a slight increase of exports in spite of the existing and continuously tightened restrictions introduced in the international commercial exchange. Thanks to this fact, the favourable trade balance increased in comparison with the preceding year.

3. OVERSEAS TRADE

The restoration of an independent Polish State, with a free access to the sea, confronted Poland with the task of organizing her overseas trade, which in the circumstances of her existence has a basic importance for the development of an unhindered exchange of goods with the countries of the world. The organization and development of such an exchange demanded the construction of a sea harbour on Poland's own territory, the access to which should remain open at all times. Poland created such a port in Gdynia. For centuries, and until the partitions, Poland had



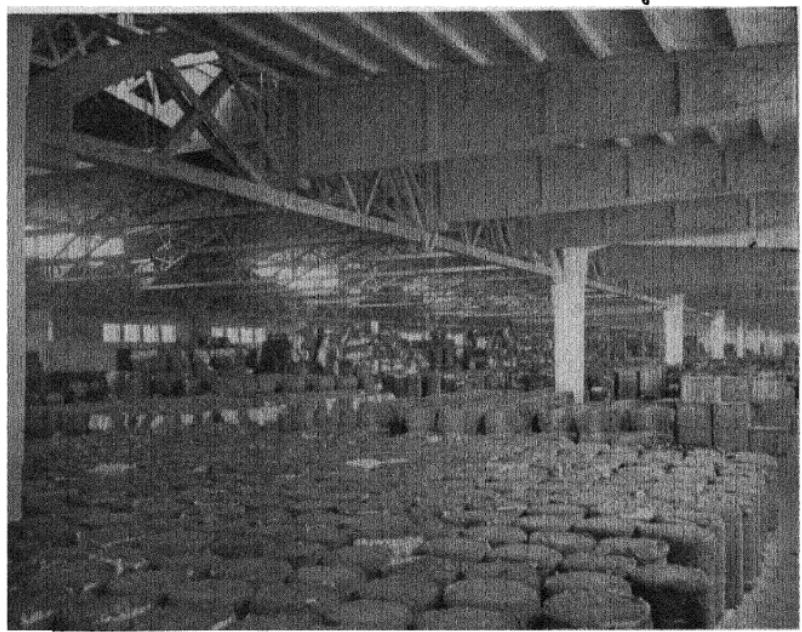
XXXV.—GENERAL VIEW OF GDYNIA IN 1920



XXXVI.—GENERAL VIEW OF GDYNIA, 1933



XXXVII.—GDYNIA: HARBOUR RAILWAY STATION



XXXVIII.—COTTON WAREHOUSES OF THE NATIONAL ECONOMIC BANK
IN THE FREE ZONE OF THE PORT OF GDYNIA

such a free access to the sea through Pomerania, which, together with Danzig, formed uninterruptedly for over three hundred years an integral part of the ancient Polish Republic. During that period Poland's port was Danzig, which owing to Poland's great overseas trade occupied one of the first places among the Baltic ports and for a time remained the first port amongst them.

Under the post-war settlement, Danzig, although included within the Polish customs area, was unable to assure to Poland's overseas trade such conditions as were required for the safeguarding of a full and independent development of the foreign trade of a nation of over 30 million inhabitants. In view of the great potentialities for development existing in Poland in this respect, and particularly in view of the steadily increasing volume of overseas shipments in the total commercial exchange of goods with foreign countries, which has reached by now almost 70 per cent of Poland's foreign trade, there was a justifiable anxiety lest the one port of Danzig might soon prove insufficient for Poland's requirements. This firm belief led to the decision to construct a new port in Gdynia, and the work of construction was taken in hand in 1923.

During the ensuing years the little fishing village of Gdynia was transformed into a

great city with a population of 50,000 inhabitants, becoming, in fact, one of the most modern and best equipped ports in Europe. It was thus after less than ten years of its

GOODS TRAFFIC IN THE PORTS OF GDYNIA AND DANZIG

As compared with the ports of Stettin and Königsberg
(*In Thousand Tons*)



existence that this port of Gdynia reached the front rank among the Baltic ports, and in spite of the crisis the volume of traffic entering and leaving the port has been continuously growing and, during 1934, reached the imposing figure of 7,200,000 tons. Thanks to its low charges and the good organization of services, the port of Gdynia is still gaining in importance

as a transit entrepot for neighbouring States as, for instance, Czechoslovakia and Rumania. Gradually, indeed, it is becoming not only a great transloading port, but it is growing more and more to be an important commercial and industrial centre where the imported raw materials are being transformed into manufactured articles, both for the home market and for re-exports.

The fact that along with the port of Gdynia the port of Danzig also reached a high level of development proves that the assumptions which determined Poland to construct a new port were right. The port of Danzig handled during 1930 over 8,200,000 tons of goods imported into and exported from Poland, and occupied in that year the first place among the ports on the Baltic. During subsequent years, owing to a general decline in the international trade, the activities of the port of Danzig were considerably smaller, but nevertheless the traffic has remained up to the present time more than twice as big as it was during the last pre-war year when Danzig belonged to the German Reich, and it is still considerably higher than the turnover of other German ports on the Baltic, such as Stettin and Königsberg.

By an agreement concluded by the Polish Government with the authorities of the Free City of Danzig, the proper share of Danzig

in the overseas trade of Poland has been assured, and in order to enhance the ability of Danzig to compete with Gdynia the port charges and dues which till then were higher than in Gdynia were reduced to the level of the latter port. This was favourably reflected in the increased traffic of the port of Danzig, which increased during 1934 more than that of Gdynia and reached over 6,400,000 tons.

The possession of a free access to the sea and of her own harbours necessitated for Poland the creation of a commercial fleet, which, though still of modest dimensions, is steadily growing and will soon be increased by several tens of thousands of tons when the new cargo and passenger boats at present under construction are completed. At present Poland's merchant marine consists of 90 steamers of a total tonnage of 84,000 tons.

The work so far accomplished upon the modest length of seashore by a great effort of labour and capital on the part of the Polish people represents the most valuable achievement of the nation during the first decade of her independent existence. It represents the symbol of the inflexible determination of every Pole proclaiming that upon this bit of the Baltic seashore, which already for the ancient Polish Republic formed a "window into the world" and which the new Poland regained

though in considerably reduced dimensions, the Polish State shall remain in undisputed ownership for ever.

The foregoing brief outline of Poland's economic development shows the great powers of constructive economic activities of the Polish people, which enabled the country to achieve such great results during the years of favourable business conditions and which made her capable of overcoming effectively the acute economic crisis of the last few years.

The means by which Poland was enabled to resist such a crisis will be outlined in the concluding chapter.

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CHAPTER V

POLAND'S MEASURES FOR OVERCOMING THE CRISIS

AT the time when the economic crisis began to engulf the whole world the attitude taken by authoritative opinion in the various countries towards the new trend in business conditions was far from being uniform. Certain countries denied the very fact of the existence of a crisis, others introduced measures calculated to maintain artificially their economic activities, while still other countries, aware of the essential importance of economic realities, engaged in a hard struggle against the consequences of the crisis and endeavoured to adapt their economic machinery to the new conditions. It may be said that in Poland the true character of the crisis was appraised perhaps sooner than in other countries, and also that the basic fact was properly taken into account—the fact that henceforth economic policy cannot aim at the restoration of the pre-crisis state of affairs which for the time being was unattainable, but rather that it must search for means likely to restore the equilibrium in the new conditions brought about by the crisis.

This sober view of economic realities im-

posed the first guiding principle of Poland's economic policy, i.e. the adaptation of all the elements forming the economic life of the country to the new low price-level, and to the generally reduced earning capacity of the people.

While fixing the guiding principles of the economic programme, however, the Polish Government were obliged—apart from the necessities imposed by the crisis itself—to take into consideration the specific conditions created by the realities of Poland's existence. These specific conditions, to which more attention has been paid in the first chapters of this review, are an acutely felt scarcity of capital caused by the ravages of war and by the consequences of post-war inflation, large and as yet unexploited economic possibilities of the country, and last but not least the very great natural increase of population which flooded the labour market every year with hundreds of thousands of new workers who ought to have been employed for the purpose of turning these very possibilities to the greatest advantage of the nation. Hence at every move the need to take into consideration the future, the need not only to maintain in an unimpaired state the foundations of the economic structure of the country but, on the contrary, the need to strengthen them by every available means.

Hence also the absolute necessity of a careful nursing of the process of internal capitalization which would supply the means for the productive employment of the rising generations in the exploitation of the natural riches of the country.

Thus it has been recognized that the most essential condition both of a consolidation of the economic life and of a successful progress of capitalization is the maintenance of a stable currency and consequently of a balanced national Budget, which usually threatens the currency with the greatest danger.

In accordance with this policy the Polish zloty has been maintained permanently on gold parity, notwithstanding the severe trials through which such a determination had to pass at a time when the perturbations occurring on the monetary markets of the world caused heavy withdrawals of foreign capital from Poland. Thanks to this policy, Poland remained one of the few countries which could join the group of the gold bloc countries.

As far as the national budget is concerned, which has already been discussed in detail in another part of this work, it may be stressed that Poland was one of the first countries which did not hesitate to counteract the threatening budgetary deficits by a drastic retrenchment of expenditure at the very outset

of the crisis. During the four years beginning in 1930 the total budget expenditure in Poland has been reduced by nearly one-third. The reduction of public expenditure was absolutely necessary in order to reduce the burdens of taxation. The intended reform of social insurance contributions is being taken in hand with the same purpose in view, as are also the steady efforts to put the finances of local government bodies on a sound basis.

On the other hand, the efforts of the Government were directed mainly towards the adaptation of all the elements of economic life to the new lower level, towards rendering the process of adaptation more elastic, and towards the defence of the most threatened branches of production, which, moreover, were indispensable from the point of view of national interests.

The agricultural crisis in Poland set in somewhat earlier than the general economic crisis and was characterized by a precipitate fall in prices. The initial efforts, therefore, were directed towards interrupting that fall and as far as possible maintaining a reasonable price-level of agricultural products. Very soon, however, the authorities came to the conclusion that the restoration of pre-crisis prices was impossible and assistance to agriculture had to be rendered in another form. Subsequent

measures were calculated to detach the Polish price-level from the world prices. This was attained by protective import duties and repayments of the duties on exports, thanks to which internal prices in Poland are to-day by several zloty higher than export prices. The system of custom duty repayments had also a secondary aim, namely, the facilitating of exports in order to free the internal market from the surplus of agricultural products which could not be consumed by the home market. In order to prevent the glutting of that market by excessive supplies after the harvest, which would have caused violent fluctuation of prices, the Government introduced a system of credits to be granted against future sales and also of credits granted in the form of advances on crops. In addition, the purchases made by the State Cereal Industry Board supplemented the above system of regulating supplies and prices.

All these measures, however, could achieve only a retardation and a lessening of the fall but could not prevent it altogether. The Government, therefore, taking into account the unavoidable reduction of the earning capacity of the agricultural population, made it their task to increase the consumption capacity of the rural population by a reduction in the prices of manufactured goods purchased by it and by a reduction of all the costs of agricultural

production. As far as the price reduction of industrial articles was concerned, it was achieved in Poland by means of voluntary agreements with the interested industries and industrial organizations, which having received themselves Government assistance in the form of tax reliefs, and lower railway freight charges, repeatedly reduced the prices of the more important industrial articles used by the farmers, such as coal, iron, petrol, certain textiles, and many other articles. In very few instances only were the Government obliged to put a certain pressure on some industries in order to bring about the indispensable reductions. Such was the case, for instance, with the cement industry, which maintained the price of cement at an artificially high level until the Government, availing themselves of their powers under the Cartel and Trust Law, dissolved the Cement Cartel. As a result the prices of cement fell immediately and the sales increased three-fold. In undertaking this action, however, the Government went ahead with a good example by reducing considerably the prices of artificial fertilizers produced by the State Nitrate Factories and the State Potash Salt Mines, as well as the prices of certain products of State Monopolies, and of certain public taxes and duties.

The continuous fall of prices, however,

brought to a head the question of reducing costs of production and the many charges weighing on production, in the first instance the question of reducing the debt charges with which agriculture was burdened. Polish agriculture was not excessively under debt when the crisis broke out, but the interest charges on these debts, which were mostly of short-term duration, were excessively high, though during the period of good business conditions the payment of high interest charges did not meet with unsurmountable difficulties. A number of measures introduced by the Government for the purpose of improving the financial position of Polish agriculture may be enumerated.

The first group included measures which aimed at the immediate prevention of the consequences of payment difficulties on the part of agriculturists in the form of ruinous auction sales. Here regulations were issued introducing an obligatory reserved auction price, permitting under certain circumstances the postponement of an auction for the duration of one economic year, and finally a new law was passed on the prevention of the consequences of payment difficulties on the part of agriculturists, which introduced a new institution of judicial supervision analogous to that existing in industry and trade.

Simultaneously with this purely protective legislation the Government developed a system of regulations calculated to facilitate to the farmers the repayment of debts and also giving them the benefit of lower interest charges. Thus the second group of measures included regulations for facilitating the repayment of troublesome obligations, such as facilities for the sale of a portion of land in order that the remaining estate might be put on a sound basis, and supplementary regulations for the segregation of mortgage loans in connection with parcellation for purposes of debt redemption.

The third group is composed of a number of decrees aiming both at the reduction of excessive, sometimes usurious, interest charges, as well as at a general reduction of the rates of interest on agricultural debts, with a simultaneous conversion of short-term into long-term debts, easier terms for the repayment of long-term debts, the settlement of debt arrears, and similar measures. The numerous legislative enactments in this respect were inaugurated by the Conversion Bill of December 20, 1932, which reduced the interest charges on all loans to agriculturists issued in mortgage bonds to 4½ per cent and at the same time extended the period of amortization and suspended for a certain period of years the repayment of capital. Further stages of this action were marked by

the Bill of March 29, 1933, on relief with regard to interest and capital repayment of all other mortgage loans, which reduced the rate of interest to 6 per cent, and finally the Bill on the establishment of the Acceptance Bank for the purpose of facilitating the conclusion of voluntary conversion agreements between debtors and all kinds of credit institutions by granting to those institutions the necessary financial assistance.

This whole complex of legislative acts brought undoubted relief to agriculture. By the conversion of long-term credits the burdens of farmers were reduced by approximately 200 million zloty per annum, or by about 40 per cent of the previous annual service of debts. With regard to the activity of the Arbitration Boards, established for the purpose of carrying through the conversion of short-term agricultural debts contracted otherwise than through banks, these Boards settled up to the end of October 1934 as many as 470,836 cases, representing a total of 191,300,000 zloty, and suspended in 85,708 cases compulsory sales by auction, while the Acceptance Bank approved agreements between debtors and the credit institutions for a total of over 40 million zloty.

In spite of such important results the position of agriculture has not materially improved, because of a further fall in the prices of cereals,

and the Government were obliged to take further action for the purpose of relieving farmers of their debt burdens. A new, recently issued decree, based upon the experience of the past two years, settled the question definitely by granting to the farmers reliefs which will enable the majority of them to return to balanced conditions and to earn a proper remuneration for their labours, while those estates which, even after receiving the new reliefs, will prove incapable of self-supporting existence will have to be liquidated.

The Bill provided *inter alia* for the possibility of converting a part of short-term debts into mortgage bond loans, the possibility of repaying certain debts by means of securities, and fixed time limits for the repayment of debts. It also enlarged the scope of activities of the Acceptance Bank. The largest measure of relief was granted to owners of small-holdings, who are both most numerous and in the greatest need of State protection.

Government action with regard to the reduction of interest charges on agricultural debts is closely bound up with the question of cheapening credit in general. The systematic action conducted in this direction, in which the State credit institutions took a leading part, has already yielded important results, so that to-day, with the increasing liquidity of

the Polish money market, the disparity between rates of interest in Poland and those in other countries has been gradually reduced.

In elaborating its own methods of combating the crisis, the Polish Government tried to avoid all measures which could lead only to an artificial "manipulation of business conditions." That does not mean that Polish economic policy was neglecting possibilities of reviving production or of improving the employment in the various branches of economic life.

The foreign trade policy moved in the direction of facilitating, by proper measures, the export trade by a greater flexibility of its organization and by the improvement in the quality of goods produced for markets abroad, so as to assure to Polish production greater possibilities of supplying foreign markets. A very important move in this direction was the issue of a new customs tariff, which, while protecting such branches of production as found in Poland propitious conditions of development, put at the disposal of the Government the means of basing commercial relations with foreign countries on new agreements, adapted to the changed conditions of international trade. The same aims were pursued by the industrial policy of the Government, which tended to bring about a reduction in the costs of production, in order to increase

the consuming capacity of the home market, while a rational allotment of Government orders placed with industry levelled, as far as possible, the seasonal fluctuations of the state of employment.

As regards investments from public funds, it is obvious that in view of the retrenchment in budgetary expenditure they had to be restricted. Nevertheless, the Government succeeded by a rational employment of the means at its disposal to continue the most important public works, such as the construction of the port of Gdynia, the construction of new roads and railways, the erection of indispensable public buildings, etc.

It is necessary to mention here the efforts of the Government to make the most productive use of the funds appropriated for combating unemployment. Thus the Unemployment Fund has been transformed into an Employment Fund, which, together with the subsequently established Investment Fund, supplied the means for financing a number of public works. Both Funds are organically connected, and in addition to the Treasury grants dispose of their own revenues without burdening the national Budget. The two Funds give financial assistance mostly in the form of credits, and the grants are made on condition that the petitioning party is able to raise a certain amount of money by their own efforts. Thanks to the adoption

of this system, the economic effect of the operations of the Funds was considerably greater than would have been the case if public works were financed exclusively by the State.

A further measure for the opening of productive investment possibilities is represented by the issue, a few months ago, of an Investment Loan to the amount of 230 million zloty. The considerable over-subscription of this State loan offered a new proof of the growing liquidity of the money market. The yield of this loan will be used for the financing of such important investments as the construction of motor roads and of other means of transport, the extension of the port of Gdynia, and the employment of the workless on public works, etc.

Special efforts were made by the Government to attract private capital into the house-building industry, so as to reduce the amount of grants made from public funds for this purpose. Instead of financing larger buildings, in the construction of which grants from State funds amounted to more than half the total building costs, the main effort was directed towards fostering the construction of small houses. This change in the method of financing housing for individual private owners, which offered an excellent investment for the savings of small capitalists, proved to be a very happy move, as the allotment of relatively small

grants from public funds contributed towards a greater activity of the building industry, so that the share of State credits in the total costs of building was reduced to 20–25 per cent.

Based upon the three fundamental premises: (1) the unimpaired maintenance of the foundations of the economic machinery, (2) the restoration of equilibrium upon a new and lower level by the acceleration of the process of adaptation, and (3) the most rational husbanding of the available means, the economic policy of the Government in its struggle against the crisis demanded unceasing and united efforts and many sacrifices on the part of the Polish people. But it is the merit of this policy that the relatively weak and untried economic organism of Poland is passing through the hard trials which other, on the whole much richer, countries experienced very painfully, undamaged and consolidated, and capable of further great development as soon as general world conditions improve.

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